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March 3, 2006

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Ex Parte* Communication
MB Docket No. 05-311 and MB Docket No. 05-192

Dear Ms. Dortch:

On behalf of RCN Corporation ("RCN"), and pursuant to Section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206, this is to provide a copy of a written *ex parte* letter sent today by Richard Ramlall, RCN Corporation's Senior Vice President, Strategic, External and Regulatory Affairs, to Chairman Kevin J. Martin, Heather Dixon and Leslie Marx; Commissioner Jonathan S. Adelstein and Rudy N. Brioché; Commissioner Michael J. Copps and Jordan Goldstein; Commissioner Deborah Taylor Tate and Aaron Goldberger; and Donna Gregg ("FCC Recipients"). This letter is a follow up to meetings held on December 12, 2005 and February 21, 2006¹ to provide additional information in support of RCN's position that the local franchise process has not, in its experience, unreasonably restricted entry into the video service market, which position was set forth in RCN's Comments filed on February 13, 2006 in MB Docket No. 05-311, and that the real impediment to increased broadband competition is access to "must have" programming, such as regional sports, kids and film library programming, that is directly or indirectly controlled by incumbent cable

¹ See RCN Notices of *Ex Parte* Presentation in MB Docket No. 05-192 (filed Dec. 12, 2005) and MB Docket No. 05-311 (filed Feb. 22, 2006).

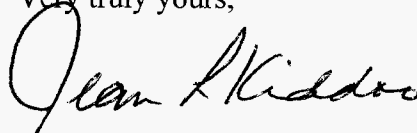
Marlene H. Dortch, Secretary
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operators such as Comcast and Time Warner. In addition, Mr. Ramlall's letter outlines four safeguards that the Commission should adopt as conditions to its approval of the Adelphia transactions that are the subject of MB Docket No. 05-192.

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Should any additional information be required with respect to this *ex parte* notice, please do not hesitate to contact me.

Very truly yours,



Jean L. Kiddoo

cc (by electronic mail, w/Atts.): FCC Recipients



March 3, 2006

VIA COURIER

Chairman Kevin J. Martin
Commissioner Jonathan S. Adelstein
Commissioner Michael J. Copps
Commissioner Deborah Taylor Tate
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, DC 20554

Richard Ramlall

Senior V.P., Strategic & External Affairs

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Re: MB Docket No.05-311 (Local Franchising)
MB Docket No. 05-192 (Adelphia Merger)

Dear Commissioners:

On behalf of RCN Corporation ("RCN"), I would like to supplement RCN's comments filed on February 13, 2006 in the above-referenced docket in which RCN advised the Commission that the local franchise process has not, in its experience, unreasonably restricted entry into the video service market. As I and other RCN representatives discussed with some of you on February 21, 2006, RCN has successfully obtained over 130 franchises and is currently operating under some 100 local franchise and OVS agreements. Our network passes approximately 1,400,000 homes and we have a total of 6,000,000 homes covered by existing franchises. Our comments showed that the incumbent telephone companies, who have existing networks and vastly greater financial resources than RCN do not need the special franchise concessions they are claiming.

The incumbents, however, have told the FCC in comments filed on February 13, 2006 that local franchise authorities are imposing significant impediments to its ability to construct and operate its proposed cable television networks. This is inconsistent with RCN's experience, but in addition, as Commissioner Adelstein pointed out in questions to Verizon's representative at the Commission's meeting in Keller, Texas on February 10, 2005, it is also inconsistent with what Verizon's management is telling Wall Street. Commissioner Adelstein was referring to remarks by Verizon's Chairman and CEO, Ivan Seidenberg, at a January 26, 2006 earnings conference call, in which Mr. Seidenberg was asked about Verizon's progress on franchising. Mr. Seidenberg stated:

Yes, on that we feel that we're making good progress here. We have a few more franchises working. We have plans for several hundred more to file. There've been a couple of break throughs in several states, in which legislatures have taken votes on it. We even have one state, believe it or not, where the – where the local cable association

has taken a positive position on – on where we are. So, I think, Simon, the way we see this, is we're going to continue the – the sort of community by community approach that we've started. But we feel we are getting traction in several states. We're taking a look at the broader picture. I'm sure you know that next week there's a hearing in Washington on this subject. So, I think there's a lot of momentum building, and we're taking the position we're going to do this step by step, but also look for the sort of broader policy opportunity and we feel that the – the stars are lining up for public officials to take a more aggressive stance on this over the next several months.¹

Even after Commissioner Adelstein pointed out the inconsistency between what Verizon is telling the Commission and what it is telling investors, Verizon filed its comments claiming that the franchise process is an impediment and has continued to tell the investment community something quite different. But then again, on February 27, 2006, Verizon once again told Wall Street something quite different when Doreen Toben, Verizon's Executive Vice President and CFO responded at the Bear Stearns Annual Media Conference to a question on how many of the 6 million homes expected to be passed by the FIOS network this year will be ready to be marketed with television programming. Ms. Toben stated:

I think the ultimate number we've said is about 15 to 18 million homes past. On marketable, it is a TV – what we have said now was we have about 1 million homes that we have franchises for. That doesn't mean we are actually marketing to 1 million homes yet. And we said – at the end of the year three or four. So we have been very successful with our franchising lately and so they have been starting to kick in. We haven't given how much we think we will have by the end of the year. What we have said is we are comfortable that we will the [sic] able to meet our targets and we will have enough franchising for where we're building to be able to sell.² (emphasis added)

As RCN showed in its February 13, 2006 Comments in MB No. 05-311, obtaining local franchises is not the primary impediment to video competition. To date, there is little evidence that Verizon has committed the necessary resources to obtain the local franchise agreements it needs, or that it has been “unreasonably refused” where it has sought franchises. As Mr. Seidenberg told investors on January 26, Verizon has not even begun to apply in many of its markets. Instead, Verizon has focused substantial resources on lobbying the FCC, Congress and the states for relief from local franchise requirements. Where it has truly wanted agreements, and has deployed the necessary resources, it appears that Verizon has been receiving local cable

¹ Final Transcript, VZ – Q4 2005 Verizon earnings Conference Call, Jan 26, 2006 at p. 11 (a copy of the transcript is appended hereto as Attachment 1 for the Commission's reference and for inclusion in the record of this docket).

² Final Transcript, VZ – Verizon at Bear, Stearns & Co. 19th Annual Media Conference, Feb. 27, 2006 at p. 8 (a copy of the transcript is appended hereto as Attachment 2 for the Commission's reference and for inclusion in the record of this docket).

franchises quickly and with little difficulty. Indeed, Verizon has reportedly succeeded in negotiating 3-year “escape clauses” in many of the agreements it has obtained thus far. This clearly implies that Verizon has not been forced into “take it or leave it” agreements by local franchising authorities, but rather has been successful in negotiating on its own terms.

As RCN and many others have persuasively documented in MB Docket No. 05-192 and other past Commission proceedings, the real impediments to increased broadband competition are the ongoing problems with access to “must have” programming and other anti-competitive behaviors by the cable MSOs. This is where Congress and the FCC should focus their attention. Enactment of pending legislation to close the terrestrial loophole and prohibit exclusive agreements for “must have” programming – in particular regional sports, kids and film library programming – is crucial to the future of video competition. Placing conditions on proposed mega-mergers like the pending Adelphia transactions, to mitigate the ability of the largest incumbents to use their market power for anti-competitive ends, will be far more important to the future of video services for consumers, and will do more to promote additional broadband deployment, than any changes the Commission might make to its procedures under Section 621 for intervening in local cable franchise negotiations.

Over the past decade, the incumbent cable operators have undertaken extensive efforts to shore up their dominant market position in anticipation of competition by “clustering” their geographic market concentrations and amassing control over huge amounts of “must have,” non-duplicable programming such as regional sports, children’s, and film library content. This combination means that the incumbent operators can control the most essential input to a competitor’s video business either through their own vertical programming ownership or their market power over unaffiliated programmers.

Comcast and Time Warner have made much of the fact that the Federal Trade Commission recently closed its investigation of the proposed transactions without action under its narrow antitrust standard of review.³ The fact that the anti-competitive effects of the proposed mergers do not rise to the level of a violation of Section 7 of the Clayton Antitrust Act, however, does not mean that the transactions, without conditions, satisfy this Commission’s public interest standard.

Notably, two of the FTC’s Commissioners expressed specific concern regarding the impact of the transactions on “must have” regional sports programming, and urged the FCC to consider this potential harm to competition under the FCC’s broader public interest standard of review. Commissioners Leibowitz and Harbour concluded that “serious concerns remain that within certain geographic distribution markets, this transaction may raise the cost of sports programming to rival content distributors, and thus substantially lessen competition and harm consumers.” The Commissioners specifically noted, as RCN and other competitive providers

³ See Ex Parte Letter from Comcast, Time Warner, and Adelphia to FCC Secretary Dortch, MB Docket No. 05-192, dated Feb. 9, 2006.

have alleged, that there is concern "as a result of increased shares in certain markets and control over a [regional sports network] (or the enhanced ability post-deal to obtain control over sports programming), that Time Warner or Comcast may be able to charge their rivals more for access to local sports programming" to the detriment of consumers, or may use the terrestrial loophole to evade the program access rules. Accordingly, Commissioners Leibowitz and Harbour stated: "Ideally, these acquisitions would have been allowed to proceed with appropriate conditions to minimize the risk of harm to consumers." The FTC Commissioners observed that the FCC "continues to review this transaction under its more flexible 'public interest' standard," and point out that the FCC imposed such conditions in the News Corp/DirecTV merger.

As Commissioner's Leibowitz and Harbour noted, Comcast's and Time Warner's control over major regional sports networks is significant enough in and of itself to warrant conditioning the proposed transactions, but local sports programming, while crucial, is not the only category of "must have" programming. Comcast, Time Warner, and affiliated companies in which one or both have an ownership interest, already own and control a formidable slate of programming assets, and both companies have indicated the intention to increasing the amount of programming they own. For example:

- As RCN showed in its Comments, children's programming such as PBS Kids, while appealing only to viewers with young children, is "must have" programming for that demographic. Indeed, RCN suffered an 83 percent drop in video on demand (VOD) usage when it became unavailable to RCN for several months after Comcast Media Center became the supplier for that programming.⁴
- Comcast and Time Warner have also announced plans to acquire from the largest movie studios rights to vast libraries of classic movies that provide rich content for VOD offerings, with Comcast having already announced deals with MGM and Sony for their libraries. Again, this content is, by definition, non-substitutable – there is only one "Gone With the Wind."
- As noted by Brian Roberts, Comcast's Chairman and CEO, at the company's 4th Quarter Earnings Call on February 2, 2006, Comcast has "locked up" PGA golf tournaments for 40 weeks per year for potentially 15 years such that "the only place to see cable television golf in those 40 weeks will be on the Golf Channel."⁵ Comcast's recent efforts to lock up national sports programming, including its success in negotiating an exclusive agreement with the NHL and its efforts to negotiate similar arrangements with the NFL and MLB, signal Comcast's plan to challenge ESPN for dominance – a move that, if successful, will

⁴ Comments of RCN Corporation, MB Docket No. 05-192, at 13 (filed Feb. 13, 2006).

⁵ Final Transcript, CMCSA – Q4 2005 Comcast Corporation Earnings Conference Call, Feb. 2, 2006 at p. 10 (emphasis added) a transcript is appended hereto as Attachment 3 for the Commission's reference and for inclusion in the record of this docket).

position Comcast to do tremendous damage to its competitors, in the form of inflated and discriminatory programming prices, tying arrangements, and tiering requirements. And according to Mr. Roberts, Comcast is apparently looking at still more opportunities similar to its efforts to lock up “NFL football [and] PGA golf [and] other activities like hockey, NHL hockey and other things, that haven’t been reported publicly.”⁶

Unlike the antitrust standard applied by the FTC, the relevant question under this Commission’s standard of review is whether the proposed transactions, without conditions, will serve the public interest – an interest that clearly includes a vibrant and unfettered marketplace for broadband competition, in which market-based incentives for additional broadband deployment exist.⁷

The importance to competition of children’s and film library programming, in addition to regional sports and other “must have” non-duplicable programming, cannot be understated. Access to it by competitors on a reasonable and non-discriminatory basis is critical as new VOD services and products are becoming an important to consumers. Indeed, in a recent presentation to investors Comcast stressed how important it believes the VOD product will be to consumers and therefore the high priority that the company places on developing VOD program choices. In addition to touting the availability of sports programming, Comcast also specifically cited “kids programs from PBS and Sprout to Nickelodeon,” and movies as the particular categories of VOD programs for which consumer viewership is skyrocketing.⁸ Clearly, Comcast’s and Time Warner’s ability to control competitors’ access to such pricing or to affect the price of such programming either through the vertical ownership of the programming or through exclusives and discriminatory discounts with third party suppliers, could cripple competition – as noted above, when Comcast took over distribution of PBS Kids RCN suffered an 83 percent drop in VOD usage when it became unavailable to RCN

RCN has repeatedly attempted to negotiate fair and reasonable contracts and other business relationships with Comcast without success. Accordingly, to ensure that competitors will have nondiscriminatory access to “must have” programming post-Adelphia despite Comcast’s and Time Warner’s enormous dominance in the market, RCN respectfully urges the Commission to consider four simple safeguards in MB Docket No. 05-192:

⁶ *Id.* at 9 (emphasis added).

⁷ *See, e.g.*, H.R. Conf. Rep. No. 104-458 at 113, reprinted in 1996 U.S.C.A.N. 124 (Purpose of the Telecommunications Act of 1996 was “to provide for a pro-competitive, deregulatory national policy framework designed to accelerate rapidly private section deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition . . .”)

⁸ Comcast Bear Stearns 19th Annual Media Conference Presentation, Feb. 28, 2006 at p. 4 (a copy of the presentation is appended hereto as Attachment 4 for the Commission’s reference and inclusion in the record).

- Prohibit Exclusives
 - Applicants should be prohibited from entering into exclusive contracts for programming provided by programmers in which they have an attributable interest (i.e. vertically integrated programmers) and regional sports, whether delivered via satellite or terrestrially. The FCC's program access rules already recognize that vertically integrated providers should not be allowed to exert control over their affiliates to exclude competitors from access to must-have programming – the FCC should impose conditions on these transactions that fully implement that principle.
- Close the “Terrestrial Loophole”
 - It is generally accepted that terrestrially-delivered programming, especially regional sports, should be included in the program access rules but was inadvertently excluded by use in the statute of the then-current language defining cable programming as “satellite delivered” programming. The FCC should ensure that Comcast and Time Warner not be allowed post-merger to invoke the terrestrial loophole to evade the program access rules, especially in view of the increased regional clustering that will occur if these transactions are approved, which will increase their opportunity to monopolize local sports.
- Mandate Contract Rate Transparency
 - Applicants should be required to disclose their contracts for programming and, for contracts with vertically integrated programming affiliates, be required to disclose the effective rates paid by them for programming, after taking into account shared profits. Transparency is essential if a fully competitive, nondiscriminatory market for programming is to develop.
 - Currently, programmers impose restrictive confidentiality and non-disclosure requirements on their contracts, which foreclose other buyers from knowing whether the rates, terms and conditions offered them are consistent with the rates, terms and conditions provided to affiliated multichannel video programming distributors (MVPDs) and larger competitors. Clearly, the rates for programming should not be considered proprietary information, and the only basis for securing them from disclosure is to keep other competitors from knowing them. Absent transparency of rate information, normal market mechanisms that help level the playing field cannot work. Thus, the FCC should mandate, at a minimum, that in the event of a programming dispute, parties be granted access to the contractual terms, to determine whether unwarranted discrimination is occurring.

- Provide for Dispute Resolution
 - Program access disputes with the Applicants or their vertically integrated programming affiliates should be subject to arbitration. A cost-effective, timely mechanism for the resolution of programming disputes should be provided, similar to that imposed by the Commission in the NewsCorp/Hughes transaction.

Very truly yours,



Richard Ramlall
Senior Vice President, Strategic,
External and Regulatory Affairs
RCN Corporation

Attachments

cc (w/atts.): Donna Gregg
Rudy Brioché
Heather Dixon
Aaron Goldberger
Jordan Goldstein
Leslie Marx

FINAL TRANSCRIPT

Thomson StreetEventsSM

VZ - Q4 2005 Verizon Earnings Conference Call

Event Date/Time: Jan. 26, 2006 / 8:30AM ET



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Verizon - EVP, CFO

Ivan Seidenberg

Verizon - Chairman, CEO

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Jeff Halpern

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PRESENTATION

Operator

Good morning and welcome to the Verizon Fourth Quarter 2005 Earnings Conference Call. At this time, all participants have been placed in a listen-only mode and the floor will be open for questions following the presentation. [OPERATOR INSTRUCTIONS] It is now my pleasure to turn the call over to your host, Mr. Ron Lataille, Senior Vice President - Investor Relations of Verizon.

Ron Lataille - Verizon - SVP - IR

Good morning, everyone. Welcome to our Fourth Quarter 2005 Earnings Conference Call. Thanks for joining us this morning. I'm Ron Lataille. With me this morning are Ivan Seidenberg, our Chairman and CEO; and Doreen Toben, our Chief Financial Officer. Before we get started, let me remind you that our earnings release, financial statements, the investor quarterly publication and the presentation slides are on the Investor Relations website. This call is being webcast. If you would like to listen to a replay, you can do so from our website.

I would also like to draw your attention to our Safe Harbor statement. Information in this presentation contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. Discussion of factors that may affect future results is contained within this presentation and is also contained in our SEC filings, which are on our website. This presentation also contains certain non-GAAP financial measures as defined under the SEC rules. As required by these rules, we have provided reconciliations of these non-GAAP measures to the most directly-comparable GAAP measures on the same web page as the presentation slides. As you know, we closed our merger transaction with MCI on January 6, 2006. As such, the results we will be discussing today are of those of the Verizon stand-alone business for the fourth quarter and full year 2005.

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Before turning the call over to Doreen, I would like to direct you to some information on our reported and adjusted earnings. Adjusted earnings per diluted share for the fourth quarter were \$0.64. On a reported basis, EPS was \$0.59. For full year 2005, adjusted EPS was \$2.56, representing 2% growth over \$2.51 of adjusted EPS in 2004. Reported EPS was \$2.65 in 2005 and \$2.79 in 2004. The special items that make up the differences between reported and adjusted EPS are discussed in the earnings release and provided in reconciliation tables within our financial statements. For the fourth quarter of 2005, these items principally related to previously announced changes to management benefit plans, severance and relocation costs. With that, I will now turn the call over to Doreen.

Doreen Toben - Verizon - EVP, CFO

Thanks, Ron and good morning to everyone. Verizon delivered another quarter of strong operational and financial performance. Our strong fourth quarter capped the year in which we achieved some major strategic goals and strengthened our position in key growth markets. Our strategies are really starting to take hold and you can see it in our financial and operating results this quarter. As a result, we enter 2006 with excellent momentum and a business that is performing extremely well across the board.

I'll take you through the details of our fourth quarter results but here are the headlines. Customers are responding very strongly to our products. In fact, we set industry records in both wireless and broadband net adds. More new customers than any other wireless company, Telco or cable company has posted in a single quarter. We accelerated our revenue growth at 6.7%. We made important progress in creating the growth markets of the future with our EV-DO and FiOS initiatives, which are both gaining scale and customers. We also prepared for our merger with MCI, which positions us for growth in the large business market. And we showed, once again, that we can invest in growth and still generate solid cash flows, margin and earnings growth. All in all, we are pleased with the strong finish to the year with great momentum going into a very exciting 2006.

Now, let's take a closer look at our consolidated results, starting with revenues. On chart four, you can see our steady growth trajectory. Quarterly revenues increased by 1.2 billion or 6.7% and annual revenues grew 4.2 billion or 6%. Full year revenues were just shy of 75 billion, representing more than a 9 billion increase in three years. Our key growth areas are becoming an increasingly larger piece of our total revenues and compose nearly 60% of our fourth quarter total.

The next chart shows the components of our revenue stream and clearly demonstrates the increasing diversification of our revenue profile. We have three network businesses: Wireless, wireline, serving residential and business customers, wireline also includes a large and very healthy wholesale business. And an enterprise business. As you know, earlier this month, we completed our acquisition of MCI, which will increase our presence in the large business market. Our growth initiatives are diversifying our revenue profile and helping to mitigate our competitive risk. We are also gaining momentum with these initiatives across the entire business. You can see for yourself on this slide. Customer connections, the combination of switched access lines, broadband connections and wireless subscribers, up 5.7%. Wireless data revenue, now a 2.2 billion annual revenue stream, up more than 100%. Wholesale data traffic volumes with double-digit growth. And an increasing appeal among residential customers for some kind of bundle or package of products from us. Another key point here is that we are seeing increasing demand for our services across the board.

Turning to margins, we delivered our fourth straight quarter of margin growth, even as we're continuing to invest today for better growth tomorrow. Adjusted operating income margins, excluding pension and OPEB costs were 22.1% in the fourth quarter, an increase of 90 basis points sequentially and 190 basis points year-over-year. And as you know, growth initiatives initially create downward pressure on margins. Since we are committed to margin stability and ultimately to margin expansion, it is mission critical to drive other costs out of the business by increasing efficiencies and productivity throughout the entire organization. And I can assure you we never lose sight of that fact. We view driving down costs as a critical matter of financial execution, especially as we expect to continue to grow our customer base or have existing customers take multiple products and services from us. This is extremely important as we remain committed to capturing the growth opportunities that will drive future revenue and earnings growth.

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During 2005, we maintained fairly consistent quarterly earnings performance, as you can see on the top of slide seven. For the year, adjusted EPS was \$2.56, representing 2% growth over 2004. While this is modest growth, I believe it demonstrates our capacity to manage cost-effectively and offset the initially dilutive effects of growth initiatives. Final solutions for the full year 2005 was worth \$0.15 as compared to the \$0.04 in 2004. In addition, I would point out that the net pension and OPEB expense had a \$0.30 negative impact on EPS in 2005, compared to a \$0.21 in 2004. So, from a bottom line perspective, we were able to preserve earnings stability, even as we made significant investments in network platforms that will fuel future revenue and earnings growth.

Let's take a look at slide 8. 2005 was another year of strong cash generation and our balance sheet is stronger than ever, something that I'm particularly proud of. CFFO, which totaled 22 billion for the year, was strong in both the wireline and wireless business. Our 2005 capital spending was on target with previous guidance. The increase over 2004 spending reflects our focus on growth opportunities. In fact, 69% of our capital spending in 2005 was related to growth initiatives. Total debt levels were maintained in spite of the increase in capital spending and wireless spectrum purchases. Our credit metrics are the strongest they've ever been. For example, our net cash flow to debt ratios finished the year at over 50%, our best ever.

Let's begin our segment review with wireless. Simply put, these are the best wireless quarterly results from any carrier ever. If you take a look at any of the metrics from growth through profitability to loyalty, Verizon Wireless has equaled or surpassed its own industry record results. And we continue to demonstrate that the growth engine we have built just keeps getting better with time. Net adds for the quarter were an industry record 2.05 million. Retail post-paid net adds were 1.76 million for the quarter. Total customers now stand at 51.3 million, which is 17.2% higher than last year. For the full year, we added 7.5 million customers. I think that's a number that bears repeating. We added 7.5 million customers during the year. 7.1 million of whom were retail post-paid. Our success is the result of capitalizing on opportunities and leveraging our strong fundamentals and networks to capture market share. And with our commitment to quality, we are seeing very strong customer loyalty. Our customer base is about 96% retail. Total churn of 1.22% tied our previous record and our retail post-paid churn of 1.02% was also near all-time lows. These results show that it really is the network and our award-winning service that attracts and retains customers.

Slide 10 shows our very strong revenue growth trends over the past five quarters. Total revenues grew 18.3%, reflecting the phenomenal growth that we had this quarter. Quarterly revenues have increased over \$1.3 billion in just one year, which is incredible. As a matter of fact, I suggest there are very few 30 billion plus businesses that are growing revenues at this kind of pace. Service revenue was up 963 million or almost 15% compared with fourth quarter last year, driven by data usage and the good customer profile of new adds. Service ARPU was \$49.36, down 1.9% year-over-year, representing about 100 basis point improvement in the year-over-year run rates from the second and third quarter. This improvement is attributable to increasing data usage as well as strong customer mix. Wireless data is an increasingly big part of the Verizon Wireless story. At 731 million, data revenue accounted for almost 10% of fourth quarter service revenues. Data contributed \$4.85 of ARPU, up from \$4.23 last quarter. Very strong sequential growth.

Almost half of our retail customers are data users, up significantly from this time a year ago. And we're seeing strong uptake on Broadband Access cards and PDAs from corporate customers, thanks to our extensive EV-DO network. The key to our success in wireless data is our commitment to investing in the network. The result is a first-mover advantage which has really separated us from our competition in terms of coverage and experience in delivering broadband services. Our EV-DO network gives us, by far, the most pervasive wireless broadband coverage of any carrier in the marketplace. We now offer 24 different EV-DO broadband devices, the most of any carrier. We have six PC cards, eight PDAs and 10 handsets in the market today. We have partnerships with Dell, HP and Lenovo to embed EV-DO chips in their laptops. We also recently launched the Windows Mobile Treo device. Customers are snapping up these products because of the growing set of multimedia applications that can be delivered to a mobile device. Verizon Wireless is leading this wave, as well.

We continue to see strong growth in V CAST and our just-launched V CAST music service has gotten rave reviews. V CAST music is unique. It is the most comprehensive mobile music service in the world. You can download full songs over-the-air to your handset and your Windows PC and you can transfer your existing collection of music downloads and CDs to your phone. The

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exciting thing is that we're really just at the beginning of the wireless broadband revolution. And we have the network and the products to really take advantage of this growth trend.

Of course, growth is only part of the Verizon Wireless story. We focus on profits and growth, not one or the other, but both. And you can see on slide 12 that's what we delivered in had the fourth quarter. We continue to grow with increasing profitability as our operating income margin expanded to a record 25.8% for the quarter. Quarterly EBITDA margins were 46.8%, up 36% year-on-year with a run rate of over 3 billion in each of the last three quarters. This is the best in the industry. Our already-low cash expense per subscriber hit its lowest level ever. And all of this, while we increased retail gross adds, very impressive.

Our low cost structure is the result of many efficiencies in the business, as well as our very balanced distribution mix. As you can see on slide 13, we have excellent cost metrics across the board. One key element is our superior distribution network, which saw 69% of our retail post-paid gross adds coming in through our direct channels in the quarter. Acquisition costs declined by 18.6%. Network costs continued to decline. Expenses per minute of use are down nearly 18%. We continue to drive customers to the most efficient means of doing business with us. The number of self-service transactions increased nearly 48% over the past year. Employee productivity increased by almost 5% as our focus on efficiency and quality in our call centers is paying off. When you're able to increase quality and decrease costs at the same time, you have the ingredients for a winning business model.

Let me wrap up wireless by saying this was another record-breaking quarter in which we expect that Verizon Wireless has increased its lead as a top carrier in the industry. Verizon Wireless has size and scale and a superb management team and organization that is executing its business model. This model is built upon the fundamentals of the best network, excellent customer service and innovative products and services. As you can see from our results, the Verizon Wireless machine is hitting on all cylinders. We have built significant momentum and are generating growth and profitability. We have an extremely loyal customer base, very low churn and a very high percentage of our customers on one or two-year contracts and we've introduced lots of new products and services. We also enter this year with a significantly enhanced spectrum position. And we have a business culture that is driven to deliver continuous improvement quarter after quarter, year after year. Our consistent investment has created the platform for innovations that will drive our growth.

Let's move to wireline, where we are seeing continued customer growth across the broadband, enterprise and wholesale markets. The big news is in broadband, where we now have 5.1 million customers, an increase of 1.7 million customers for the year, we added 613,000 in the fourth quarter alone. Our bundle penetration ended the year at 65%, up from 55% a year ago. And Freedom for Business packages have passed the 1 million mark, up 38% since last year. Almost half of these customers are on an annual contract. In wholesale, we also saw strong demand for DS1s and DS3s which grew by 12.5% year-over-year. All in all, we have seen steady increases in growth product penetration and we expect to see more of the same in 2006 which will help drive revenue growth in future quarters.

Our emphasis on growth products is transforming the revenue mix in the consumer market. As we have said before, this makes the traditional access line metric much less important as a gauge of revenue growth than it used to be. As you see on slide 16, growth in revenue generating units, RGUs, which we introduced last quarter, track much more closely with revenue performance than do access lines. We did lose 426,000 retail access lines in the quarter, which is an improvement over the last two quarters and from the fourth quarter of last year. We believe that the increase in broadband subscribers, the introduction of Freedom Essentials and other marketing activities help retain and win back customers. As a matter of fact, the fourth quarter marks the first time that our broadband net adds exceeded the decline in retail residential access lines. With regard to retail business line losses, we continue to see improvements over last year, especially when we exclude dial-up port disconnects as these contracts expire. Total wholesale voice connections, both UNE-P and retail declined by 323,000 during the quarter. So, overall, the increasing use of broadband connections by our customer base is redefining the traditional view of the wireline business and creating new opportunities.

Looking at wireline revenue trends, we did see increasing competition and technology substitution in 2005. We are responding in the marketplace with our broadband initiatives, new products and services, increased use of bundling and some pricing

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changes. As you can see, we were able to maintain a stable revenue base of about 9.4 billion each quarter. Although revenues were essentially flat on a sequential basis, fourth quarter revenues were down 1.8% year-on-year and full-year revenues were down 1.1%. Among the reasons which contributed to the fourth quarter and full year decline are the loss of revenues from discontinued activities. In the fourth quarter of 2005, this amounted to 127 million decrease over fourth quarter a year ago. For the full year, this represented a decline of 269 million. A large part of this decrease is from the termination of a large logistics management contract this past summer. You can expect about 80 to 100 million unfavorable effect in each of the next two quarters as a result of this issue. Another factor adversely affecting the fourth quarter comparison were revenues from our CPE business, which were lower than last year. In previous years, we saw CPE sales spike up in the fourth quarter but that did not occur this year. In the consumer market, fourth quarter revenues were down on a sequential basis and 1.1% year-over-year. For the full year, consumer revenues, which totaled 15.2 billion in 2005, were down only .4%. As I said earlier, this shows that we are mitigating the loss of revenue from access lines, with broadband, long distance and other services.

In the fourth quarter, average monthly revenue per customer was \$51.50, up 3.9% year-over-year. Wholesale revenues increased by 33 million or 1.6% on a year-over-year basis. Sequentially, revenues were essentially flat. This market includes switched access, local wholesale products like UNE-P and resale. It also includes high speed, high capacity growth products, which are driving data growth in this market. I would mention that we now have 92% of our base of UNE-P customers on commercial agreements. We are scheduled to see some UNE-P price increases in 2006, which should provide an incremental margin opportunity.

Looking at business, revenues in the business market were 2.75 billion, down slightly on a sequential basis and down 126 million or 4.4% versus fourth quarter last year. As I mentioned before, our CPE business was part of the reason for this decline. In the highly-competitive small and medium-size business market, we have had success in retaining customers and have been actively marketing our Verizon Freedom for Business as well as DSL. Within the enterprise space, we are obviously looking forward to the upside opportunities now that the MCI merger has closed. More on this in a few minutes.

Quarterly data revenues continue to grow, increasing 9% year-over-year, driven by strong demand for high capacity and broadband products. Data transport drove most of the quarterly growth with 9.7% higher revenue than last year. For the full year, data revenues totaled 8.5 billion, an increase of 10.5%. Importantly, data is also becoming a more significant percentage of our overall wireline revenues. Now standing at 23.4%. Between our data products for business and the growing popularity of our consumer broadband products, we are well-positioned to benefit from the ongoing expansion of the market for high-speed, high-capacity services.

Now let's move to FiOS. We continue to see a strong and growing customer response to our FiOS data and video product offerings. Looking at the penetration rates for FiOS data, we are ahead of plan. We are seeing good customer acceptance and consistent monthly penetration gains. Last quarter, we told you that in the 35 markets where we have been actively marketing in for six months or more, average penetration was 12.4%. I want to give you an update, but in a slightly different and better way to look at our progress. In markets where we have been selling FiOS data for at least six months, the average penetration at the six-month mark for each was 9.2%. At this point, this includes more than 90 central offices. In markets where we have been selling FiOS data for at least nine months, the average penetration at the nine-month mark for each was 14%. At this point, this includes more than 35 central offices. These markets are spread throughout our footprint and compete with all the major cable players. These early penetration rates indicate that we are well on our way to achieving our goal of 30% penetration in five years.

In video, we are seeing great initial acceptance by customers. In Keller, Texas, our first video market, we have already achieved 21% penetration in only four months. Within the last few months, we also began selling FiOS TV in some other Texas markets as well as Temple Terrace in Florida and Herndon, Virginia. While it's a bit early to give you penetration rates, we are very pleased with our initial sales and just this week, we launched video in Massapequa Park, New York and Woburn, Mass. We will also be selling services in a California market very shortly. As we move forward, we expect to continually enhance our video product and differentiate it even more with converged capabilities. So, we're off to a strong start. From a deployment standpoint, by the end of 2006, we expect to have passed a cumulative total of 6 million premises or about 20% of our households. Going

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forward, we expect to pass about 3 million per year. As we gain scale and connections, we will also be able to drive more costs out of the business and we also expect that technology improvement will further drive down our network costs, as well.

Moving to our wireline margin, operating income margin, excluding pension and OPEB was 16.1% for 2005. In fact, we're targeting about a 16% margin for 2006. Of course, we normally see some variability in operating margins on a quarterly basis. The fourth quarter difference was largely train by our very high growth in DSL and FiOS deployment. I would mention that as we gain scale in DSL, we have turned the corner on EBITDA profitability, which should continue to improve and help margins going forward. Quarterly cash expenses were up 2.6% year-over-year. We continue to see significant opportunities for additional cost savings. We have many new cost initiatives, which I'll discuss in a minute, which will help stabilize telecom margin performance.

As you would expect, we continue to be focused on improving the wireline cost base. We closely manage our force levels, balancing them with our work volumes, shifting manpower whenever possible to support the fiber initiative. Our overall wireline head count ended the year at 141,000. We are also replicating the success achieved by our Partner Solutions Group, which significantly automated wholesale orders and reduced head count and costs. Over time with higher in the fourth quarter, on both a sequential and year-over-year basis. This was a result of us having to shift manpower to deal with the inordinately high damage and repair caused by the heavy rains, mainly in the month of October. Online bill payments are up 16% as we continue to drive customers to more efficient transaction-based services and we see further opportunities for savings in the areas of real estate and call center management.

So to sum up wireline, we are rapidly transforming this business around the customer's growing demand for broadband. We are investing in broadband capacity in our access network, developing differentiated broadband products across all segments of the market and creating new revenue opportunities in markets such as video. You see this strategy taking hold in the fourth quarter with our record-setting performance in DSL, strong performance in data and our earlier success with FiOS. In the meantime, we're holding our ground with steady revenues, stable margins and a relentless focus on costs. We're confident in our strong wireline business model. And our network will give us an unsurpassed strategic and product platform for growth in the broadband era.

I want to spend a few minutes sharing some information about our new business unit called Verizon Business, created by the acquisition of MCI. We believe this acquisition provides us with a great opportunity to further strengthen the power of the unified Verizon brand, particularly now that we can add wireless services to the product portfolio. We have an experienced management team in place with great leaders from wireline, Verizon Wireless and MCI. We have challenged these seasoned professionals with some very aggressive integration plans and some aggressive financial targets.

We have a lot of experience in mergers and acquisitions, both wireless and wireline, and I'm very confident in our ability to achieve the synergies. On slide 24, you see these synergy targets by year. These run rates are about 10% higher than we originally announced, primarily from realizing these savings earlier than originally forecast. The net present value of the synergies has increased from 7 to 8 billion. Network savings represent nearly half of the total, with workforce reductions and IT savings each representing about 20% of the totals we estimate at this time. One significant area for savings in the network category is third party access savings, that is, bringing more traffic on net. These savings will be realized through a combination of moving more Verizon Wireless traffic on net as well as moving our out of footprint access and long haul LD traffic to the former MCI network. In 2006, we expect these savings across Verizon to be well over 200 million. In the area of workforce reductions, we anticipate achieving a workforce reduction of about 7,000 people within a three-year period. More than half of this reduction will be from eliminating duplicate corporate staff and from the mass market business area. In the IT and systems integration area, we also see significant opportunities. As far as the transition costs needed to capture these synergies, you can see our estimated annual spread of these costs on the slides. In total, we expect to spend about 1 billion over the next three years. Integration capital spending is estimated to be between 1.6 and 1.9 billion over the same three-year period. We estimate about 550 million of that will be spent in 2006.

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We have an aggressive go-to-market plan that will introduce the new Verizon Business to the marketplace. We hope to immediately enhance the customer experience with a more integrated approach to the sale of our wireless products. You can expect us to build upon Verizon and MCI's reputation for excellent service by transforming the service experience for our customers. We have a unique approach to business service delivery, called "Customer Service Surround". Our unique brand sales office structure places our account teams closer to our customers. Similarly, the Verizon Business Customer portal will put online service and account management tools at our customer's fingertips. From at your side support to online self-service and all points in between, our objective is to deliver an unmatched customer experience, geared to a customer's personal preferences. This will be a major element of the Verizon Business difference. And I want to emphasize that we see huge opportunities for margin improvement Verizon Business.

As we look across all three network businesses, we continue to see significant cost savings opportunities over the next several years. Verizon Services, our recently created organization to provide back office and support services across our businesses, is an example of how we intend to increase efficiencies through economies of scale and reduce duplication of efforts. We are also conducting an extensive review of our expansive real estate portfolio. We are convinced that we can capture savings and unlock value through this portfolio rationalization. Web-based customer self-service applications are also examples of ways we can increase the efficiency of our business. Our network investments are intended to grow revenues and significantly reduce maintenance and operating costs. Our fiber build is a perfect example of this. Our innovative and competitively priced products and services are increasing customer retention and helping to reduce the cost of churn. As we strive to stimulate revenue growth in all of our businesses, you can expect us to continue our relentless focus on reducing our cost structure.

Let me give you a couple of thoughts about how we're looking at 2006. As I said at the beginning of today's discussion, we are entering 2006 with excellent momentum. Our strategies are taking hold and customers are responding to our wireless and broadband products and services at record-setting levels, helping to diversify our revenue profile. These customer successes will continue to drive revenue growth in 2006. Our capital investments also enable growth. The investments in our network will result in market share gains and revenue growth. In addition, the resulting increase scale helps improve margins, earnings and return on invested capital. We previously stated that capital spending in 2006, excluding MCI, would be between 15.4 and 15.7 billion. With MCI, "all-in" capital spending is expected to be between 17 and 17.4 billion. The 1.6 to 1.7 billion incremental spending as a result of MCI, includes about 550 million of integration capital in 2006. With the MCI merger now complete, more experience with fiber and our EV-DO plans on track, we have a high degree of confidence in the stability of our 2006 capital program. From a total telecom capital spending perspective, we see 2006 as the peak expenditure level. We are very focused on maintaining stability in our margin as we grow the business. This morning, I have shared with you some of the cost-saving opportunities we see. Related to 2006 costs, let me give you a sense for net pension and OPEB expenses. As I noted earlier, net pension OPEB costs resulted in an unfavorable EPS impact of \$0.30 in 2005. In 2006, we expect this total to be about \$0.04 to \$0.06 worse or \$0.34 to \$0.36 in total. As you know, we've taken steps to control future post-employment costs through changes in our management plan. As far as CFFO, we see improving cash flows, which will fund future investments in our networks and return value to shareowners.

We have set specific goals and targets for our three network businesses. All of these are focused on growth, both top and bottom line, and creating value for shareowners. Lastly, this past December, we announced our plans to divest our Verizon Information Services Directories business. We are moving full steam ahead with our bankers. We are well along in developing the necessary planning to successfully accomplish this disposition in 2006. We will provide you more information on this value-creating transaction when our exact plans become more definitive. Thanks, Ron and I will turn it back to you.

Ron Lataille - Verizon - SVP - IR

Thanks Doreen. Operator we're now ready to take some questions.

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QUESTIONS AND ANSWERS

Operator

[OPERATOR INSTRUCTIONS] David Barden, Banc of America Securities.

David Barden - Banc of America Securities - Analyst

Hey, guys, good morning. [Congrats] on the quarter! Just wanted to ask a couple of questions on a couple of topics. First on the wireless side: Obviously and typically what's usually a lower margin fourth quarter, there was a big step down in CPGA, a big step down in cash costs per user. If we look ahead in '06, I was wondering if you could address some of those sustainability issues on those forces as we kind of look for where margins might wind up in the coming year. The second issue would be on the FiOS metrics that are coming out. Could you talk a little bit about whether those are being driven by conversions of existing subscribers in DSL or competitive winbacks? And then maybe the last issue would be on the directory spin. You know, whatever -- how it happens, there's going to be probably incremental borrowing capacity or cash coming into the parent company. Any early thoughts on what the intentions are to do with that incremental flexibility? Thanks a lot.

Doreen Toben - Verizon - EVP, CFO

Hey, David. Thanks. If I start with, I guess the first question on wireless margins. I guess what I would say is we target wireless margins in the, you know, sort of mid- to low 40s. That would be normal. To the extent that you didn't have the kind of growth, you know, you might actually kick it up a little bit. But I would think about the fact that we think there's lots more opportunity out there, there's a lot more -- at only 70% penetration, we think there's a lot more opportunity to grow, but the target sort of, you know, mid- to low 40s. On your -- the metrics, I guess, for fiber, I guess the -- the conversion rate from DSL is around 35%. Was there more with the DSL? That was it for DSL. Okay. And then Ivan, do you want to do the --

Ivan Seidenberg - Verizon - Chairman, CEO

Yes, David, on the question of use of cash with the directory divestiture, the way we think about this is, as Doreen pointed out in her opening remarks, we feel pretty good about the visibility of our -- of our spending this year, where we're going to put our capital. So, we don't see the issue of the use of cash from the directory as impacting the run rate of what we would do with organic investments in the -- in all three businesses, Wireless and Verizon Business as well as the Telco. Now, once we get a little further along into the year and we look at the form of the actual divestiture, our first focus there is to try to figure out a way to return value to shareholders using that cash. And as Doreen has talked about in the past, there are options to do lots of things, which is balance sheet improvement, reduce debt, buyback shares. So we'll -- as this unfolds during the year, we'll -- we'll take a careful look at that.

David Barden - Banc of America Securities - Analyst

Thanks, guys.

Ron Lataille - Verizon - SVP - IR

Operator, we're ready for the next question.

Operator

John Hodulik, UBS Warburg

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John Hodulik - UBS Warburg - Analyst

Okay, thanks. Good morning.

Doreen Toben - Verizon - EVP, CFO

Hi John.

John Hodulik - UBS Warburg - Analyst

Hi. A couple of questions, first on the wireline margins, you had said in the past that FiOS would -- would create dilution of about \$0.14 in '05. Can you update us on that, on how that -- how that turned out here in the fourth quarter? And then looking out into -- into '06, we got the 16% EBIT premargin -- or prepension margin guidance. What kind of dilution from FiOS and potentially from the, you know, video rollouts are included in that number? And then just real quick follow-up on the DSL growth, is this kind of -- similar to David's question on wireless -- is this a sustainable number? Is it being driven by the \$15 plan? And how much -- you know, if you can maybe in round numbers, are you getting a nice kick from FiOS, as well?

Doreen Toben - Verizon - EVP, CFO

Okay, I think on the FiOS question, it was \$0.04 in the third quarter, it kicked up to \$0.05 in the -- in the fourth quarter. So, that was the incremental dilution. I think I did say, you know, in the text, that in '06, we sort of expect a \$0.10 to, you know, \$0.15 additional dilution on top of that. A lot of it based on success base, so that's sort of why the range. Yes, that would be already built into the 16% target that we're -- that we've talked about. On the DSL, I think, you know, about 50% of the net adds are coming from you know, from the 1495. However, very, very, very low migration, which is -- which is something that's good. The people are really staying with their existing higher speeds. And as far as the ability to kick up, I mean the penetration of broadband is still very low, you know, in the country at 35%. So, we do think that there's a lot more opportunity, you know, we still have all the dialup guys converting, that's a lot of what's happening with the 1495. So, we think that there is still a lot more opportunity on broadband into '06.

John Hodulik - UBS Warburg - Analyst

Okay. Great. Thanks.

Doreen Toben - Verizon - EVP, CFO

Okay.

Ron Lataille - Verizon - SVP - IR

Thank you, John, operator, next question.

Operator

Viktor Shvets, Deutsche Banc.

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Viktor Shvets - Deutsche Bank - Analyst

Yes, good morning, everybody. Thank you very much. Just looking at the dilution from media products, just following in from John's comment, how should we think about programming cost as well as subscriber position costs in 2006? You launched a number of media markets this year and you're going to launch further as we go through 2006. What kind of operational expenses should we reporting into our models? And how media expenses and SAK are going to be amortized through the P&L? Thank you.

Doreen Toben - Verizon - EVP, CFO

Okay, hi, Viktor. Let's make sure I understand your question. The \$0.10 to \$0.15 obviously has the video piece in it. I would suggest that it probably ramps during the year, you know, as you start to have more success base, if you're thinking about how it spreads, right, you're going to -- you're going to ramp it up through the end of the year. And on -- as far as the -- you're asking like what we're capitalizing and what we're expensing piece of it? On the video piece, I guess it's really mostly capital.

Viktor Shvets - Deutsche Bank - Analyst

Right, so, you'll be -- you'll be -- you'll be capitalizing and then amortizing over a number of years, is it?

Doreen Toben - Verizon - EVP, CFO

Yes. And I guess different pieces would have different lives to, you know, what we're -- what we're amortizing in.

Viktor Shvets - Deutsche Bank - Analyst

Okay. Thank you.

Ron Lataille - Verizon - SVP - IR

Thanks, Viktor. Operator, next question.

Operator

Simon Flannery, Morgan Stanley.

Simon Flannery - Morgan Stanley - Analyst

Okay, thanks very much. Good morning. Ivan, there's been a lot of talk out of Europe about Vodafone being pressured to sell their stake in Verizon Wireless. Can you just talk about whether that's something you would still like to do and whether do you think there might be some opportunity this year? And secondly, can you talk about the regulatory environment around video franchising? Any sort of movement in Washington or in the states, to try to get that moving along more quickly? Thanks.

Ivan Seidenberg - Verizon - Chairman, CEO

Yes, on the Vodafone question, like everyone else, we were very interested in what we read and heard about the -- the Vodafone earnings call. Our position has pretty much been the same all along and maybe I -- I take a moment to clarify where we are in this. First of all, we've had no direct indication from Vodafone that they've changed their position. So, we're as anxious as anyone

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else is to see how the -- the conversation that started the other day materializes. To the extent, however, that there is a change of a view coming from Vodafone, we clearly would be interested in increasing ownership of Verizon Wireless, whether in stages or actually acquiring 100% of it. I would add that we also recognize that the put option is not the preferred vehicle for Vodafone to facilitate any transaction. That was exactly the issue we had when they were considering the purchase of AWE. So -- so, Simon, we are very open and willing to consider negotiation around that to make sure that it's efficient for both sides and it's -- we can maximize value for both parties. You know, when you think about it, Verizon Wireless has gone through an extraordinary run here. It's -- it's created a lot of value for both sides. And that I think that it's a good time to think about this and so we would stand ready to work on that. One other point that -- that I would make is that, as we think about this, just so that Verizon shareholders would understand how we think about this, Doreen and I have -- have talked about this, and our view is to the extent possible, we would try to do anything here if it was -- if it was given to us by Vodafone, with as much cash as possible. And so, for example, like everybody understands, the Omnitel ownership, perhaps the -- the divestiture of VIS would all be -- be part of how we would think about funding, funding the whole operation. So, I think we need to give Vodafone some room to think through what they want to do. But our position, Simon, has been what it's always been. If the opportunity came to be, we would be -- we would stand ready to work with them.

Simon Flannery - Morgan Stanley - Analyst

Good. And on the video franchising?

Ivan Seidenberg - Verizon - Chairman, CEO

Yes, on that we feel that we're making good progress here. We have a few more franchises working. We have plans for several hundred more to file. There've been a couple of break throughs in several states, in which legislatures have taken votes on it. We even have one state, believe it or not, where the -- where the local cable association has taken a positive position on -- on where we are. So, I think, Simon, the way we see this, is we're going to continue the -- the sort of community by community approach that we've started. But we feel we are getting traction in several states. We're taking a look at the broader picture. I'm sure you know that next week there's a hearing in Washington on this subject. So, I think there's a lot of momentum building, and we're taking the position we're going to do this step by step, but also look for the sort of broader policy opportunity and we feel that the -- the stars are lining up for public officials to take a more aggressive stance on this over the next several months.

Simon Flannery - Morgan Stanley - Analyst

Great. Thank you.

Ron Lataille - Verizon - SVP - IR

Thanks, Simon. Operator next question please.

Operator

Jeff Halpern, Sanford Bernstein.

Jeff Halpern - Sanford C. Bernstein & Company, Inc. - Analyst

Good morning, guys. Ivan, if I could just follow up -- two questions, if I could follow up on your answer to Simon's question just now. I was wondering if you have any sense of what the difference in timing looks like between a state level approval process for franchising versus a municipal -- municipality by municipality one? And then, Doreen, is there any way you can give us a

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similar kind of update as you did last quarter on where we are on things like operating expense savings and capital savings that you're seeing in markets that have had FiOS for six or nine months or longer?

Ivan Seidenberg - Verizon - Chairman, CEO

Yes, quickly, I don't think there's a big issue associated with timing. I don't think there's, by the way, any story there. I think that the law is the law. I think we have to go out and get -- and get franchise approvals and we're doing that and we're doing it aggressively. And we're queued up. We don't feel that there's any impediment to our rolling out FiOS during the year, 2006. Admittedly as we go into two seven and '08, we'll need to be more aggressive because we'll be in more communities. But by that time, I'm sure we will have so much success with -- with the early deployment, that the whole political environment starts to -- to change as we go forward. We've already seen that. And as I -- we've said before, every place where we -- we instigate a vote, the vote usually comes out, you know, let's -- let's create competition in this -- in this marketplace. So, we do have some -- some things in the regulatory process we need to work through, but I don't think there's any -- any timing issue that we have to face anytime in 2006.

Simon Flannery - Morgan Stanley - Analyst

Great.

Doreen Toben - Verizon - EVP, CFO

Okay, and Jeff, on the operation -- operation savings or on the capitol savings, I think at this point, the scale -- the amount of [how] homes that we really have connected, it's really to small to have, you know, to have a lot of data. What we get is antidotal at this point. So, it is -- it is -- we do track -- say when there's weather-related, you can see that the trouble reports from those -- those homes, you know, don't vary at all. But as far as, you know, being able to say it's "X" amount of dollars at this point, I think we need, you know, some more time and some more scale before we can really get our hands on that definitively.

Simon Flannery - Morgan Stanley - Analyst

Okay, thanks.

Ron Lataille - Verizon - SVP - IR

Thanks, Jeff. Operator, next question, please.

Operator

David Janazzo, Merrill Lynch

David Janazzo - Merrill Lynch - Analyst

Good morning. Doreen, you had talked about workforce and, of course, with -- with MCI you'll have about 250,000 employees, and you had mentioned 7,000 over -- over a three-year period. Can you comment a bit on -- on the overall strategy of -- of head count management?

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Doreen Toben - Verizon - EVP, CFO

In all [well] -- in the different units if I -- starting like with wireless, in wireless, I think what we've seen is, you know, you'll see increases because of its growth, plus we've had different strategies in wireless, where we're actually putting people in stores. So, to the extent that you're actually putting a store within a store, you're actually growing your head count. If I move over to the Telco, they will have, you know, some reduction level this year and part of it will be, you know, a straight reduction. The other piece is, you know, they're going to move some people really on to the FiOS plan. So, they have a fairly significant number that they're going down. But some of it is, in fact, a shift from the base into capital. And the 7,000 that we talked about, a lot of it, very heavily loaded front-end loaded of that 7,000 over the first two years. So, you'll see a substantial number going down, a lot in the mass markets initially. Okay?

David Janazzo - Merrill Lynch - Analyst

And then in terms of the Telco, you mentioned a reduction level in -- in '06. Any further clarification on that?

Doreen Toben - Verizon - EVP, CFO

No, at this time I'm not going to give you a number.

David Janazzo - Merrill Lynch - Analyst

Okay. Thank you.

Ron Lataille - Verizon - SVP - IR

Thanks Dave. Operator, now I'd like to turn the call over to Ivan Seidenberg for some concluding comments.

Ivan Seidenberg - Verizon - Chairman, CEO

Okay, just a couple of thoughts here. Hopefully as -- as investors and owners look at our Company this quarter, there's a couple of things that -- that we would like you to consider as you do your analysis and you look out into the future about us. First of all, hopefully you see that -- or as Doreen said, our strategies are taking root, we're gaining some momentum. There is a greater shift of our overall top line focused on the growth markets. You can see that in all of the markets that we have significant opportunities. Our Telco is gaining customers. We recognize we need to convert the investments in FiOS and DSL and LD into bottom line results and we're anxious to -- to prove that. The VZ Business to us, that is a bottom line story of getting synergies out and generating improvements in -- in cash year-over-year. The wireless story speaks for itself. It's both the top and the bottom line story and it's one of raising the bar and widening the lead. But while that's happening, hopefully that -- that everyone sees that wireless looks at the market as having more unlimited opportunities, rather than a closing, a ceiling on it. There's plenty of growth available for us, and with the kind of engine that our team has built, we're in good shape.

There's always a lot of discussion about returning value to shareholders. The only comment that I would like to make on that is, that as we finish 2005, we took steps with our pension for management. We -- we just took a step, last month, to increase our share buyback capability from 80 to 100 million shares. We have focused on the divestiture of VIS and the quick go-to-market for the MCI combination. So, we feel we're in a better position, as we move into 2006, by executing on our plan, showing that we have good solid results and good -- good operating focus. But at the same time, the Company will have increased flexibility to deal with how we return value to shareholders during the year. The -- the new starter this week, as we were preparing for this call, obviously the new interest and perhaps acquiring a greater ownership share in Vodafone. While there's still a lot of work to be done and we have to be sure we -- we know where Vodafone comes out, that's another opportunity that, if it came

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to us, we would be more than delighted to -- to go forward. So, with that, we feel like we had a good quarter. And that we're poised to continue the momentum into 2006. Thanks.

Ron Lataille - Verizon - SVP - IR

Thank you, everybody. For joining our call. And have a good day.

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FINAL TRANSCRIPT

Thomson StreetEventsSM

VZ - Verizon at Bear, Stearns & Co. 19th Annual Media Conference

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Doreen Toben

Verizon Communications - EVP and CFO

CONFERENCE CALL PARTICIPANTS

Michael McCormack

Bear Stearns - Analyst

PRESENTATION

Michael McCormack - *Bear Stearns - Analyst*

Good morning. Thanks for joining us for the presentation by Verizon Communications. I've got just a quick disclaimer for Bear Stearns on Verizon. Verizon Communications Inc. is or during the past 12 months, has been an investment banking client and noninvestment banking client for securities related to services of Bear Stearns & Co. Inc. Within the past 12 years, Bear Stearns & Co. Inc. or one of its affiliates has received compensation from this Company.

We're very pleased to have the Doreen Toben join us this morning. She is the Executive Vice President and Chief Financial Officer of Verizon Communications. The Company has obviously got a lot of exciting things taking place right now and questions probably around the FiOS field; obviously very strong wireless results at the Company. And the Company also recently closed its acquisition of MCI. So I'm sure we'll have some questions on that as well.

With that, I will turn it over to Doreen.

Doreen Toben - *Verizon Communications - EVP and CFO*

Thanks, Michael. Good morning, everyone. I would like to thank Bear Stearns for inviting us this morning and giving us an opportunity to present. First we're going to start with the Safe Harbor statements which we provided to all our presentations. The presentation is also being webcast and I will be providing some financial information that will be considered new. We will be putting out a press release and posting the slides to our website immediately following my remarks.

A month ago when we announced our quarterly and full-year results I talked about how our very strong fourth quarter capped a year in which we achieved some strategic goals and strengthened our position in the growth markets. Our strategies are really starting to take hold and we enter 2006 with excellent momentum. Customers are responding very strongly to our products. We set industry records in both wireless and broadband, adding more new customers than any other wireless company, telco, or cable company has ever posted in a single quarter.

We accelerate our revenue growth to 6.7%. We made important progress in creating the growth markets of the future with our EV-DO and FiOS initiatives, which are both gaining scale and customers. We completed the acquisition of MCI, which positions us for improved growth in the enterprise market. We showed once again that we can invest in growth and still generate solid cash flows, margins and earnings growth. All in all, we are pleased with our strong finish. Our growth strategies are in place and we have good operational and financial momentum going into this new year.

Here is our changing business mix. Broadly speaking we essentially operate three network businesses. We have a nationwide wireless business. We have a wireline network which serves residential and business customers. Wireline also includes our large and very healthy wholesale business. We have an enterprise network business serving large national and now global customers with the completion of the MCI acquisition.

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Our growth initiatives in all three of these businesses are diversifying our revenue profile. We have the most part been successful in mitigating this [act] of the secular and competitive challenges by positioning ourselves to take advantage of these new growth opportunities.

During this period of dynamic change, we have managed our business efficiently, delivered excellent service and innovation to our customers. We are investing in network platforms that will drive future growth, expand our addressable markets, and improve our network efficiencies. Our wireless business is stronger than ever. We have significantly changed our enterprise business with the acquisition of MCI and we are transforming our consumer business around broadband; all of which increases the diversification of our revenue streams.

2006 is shaping up to be a year in which we expect to see continued industry-leading wireless performance and improving revenue picture in our wireline business and higher returns in cash flows to our shareowners.

At a fairly high level, this next chart lays out our objectives in these three primary network businesses. Our focus is on growth in revenues and earnings and in value creation. In wireless, we are looking to sustain the growth orientation of this already well-performing Company and expand our industry-leading performance. In telecom, our focus is to continue the transformations to broadband and position the business to grow again. Between the broadband opportunities we see and the fiber investments we are making, we are on the right path to improve both growth and profitability.

We also see significant opportunities to further reduce our cost structure, which will help us maintain and ultimately improve our margins. And in Verizon Business, we have a great opportunity to improve our financial and operating performance in this space. You will be hearing much more about how we intend to improve topline performance and move margins much closer to industry norms.

Let's take a closer look at each of these businesses, starting with wireless. There are obviously many metrics and drivers that we monitor and measure. Let me focus on some of the more important ones with you today. For revenues, margins, and CapEx I have listed some of the key indicators or value drivers. I'll spend a few minutes on each, starting with revenues.

As you know over the course of the last several years, we have consistently strong revenue and customer growth. Our revenue base has increased from \$22 billion in 2003 to more than \$32 billion in 2005. 2005 revenues grew by about \$4.7 billion or nearly 17%. During the past two years, we have added 13.8 million net new customers. During 2005 alone we added 7.5 million customers. Total customers now stand at 51.3 billion. We have a very strong mix of customers heavily weighted towards retail postpays, which represents nearly 93% of our base. Clearly we have not sacrificed the quality of our base for the sake of growth. Retail customers are not a significant part of our existing base, nor are they a big part of the growth plans to come.

Our continued emphasis on network quality is an important factor in maintaining our industry-leading churn position. In the fourth quarter, total churn was 1.29% with retail postpaid churn an impressive 1.08%. Our focus on loyalty and service also has enabled us to keep the balance of LNP or local number portability in our favor. Since the beginning of 2004, we have taken share from every national carrier through LNP in every single quarter.

Wireless data is obviously an increasingly big part of the growth story. At 731 million, data revenue accounted for almost 10% of fourth-quarter service revenues. Almost half of our retail customers are data users, up significantly since this time a year ago. All categories of data are growing, as you can see on this chart.

We're seeing strong uptake on broadband access cards and PDAs from corporate customers, attributed primarily to speed and the coverage of our 3G network. The exciting thing is that we are really just at the beginning of the wireless broadband revolution and we have the network and products to really take advantage of this growth trend.

Service ARPU for 2005 was \$49.49. Remember that we do not include any regulatory or administrative fees in our service calculations. If you look at the components of ARPU, the declining wedge represents revenue from sources such as long distance

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and roaming charges. This change is driven by different pricing models as these services are typically sold as part of an all-you-can-eat bundled package.

The access and usage components have remained fairly constant while the data ports have increased significantly. In fact, data represented \$4.85 of ARPU in the fourth quarter, up from \$4.23 in the third quarter, very strong sequential growth. So on the extremely competitive wireless market, we have achieved significant revenue and customer growth while minimizing ARPU through dilution, through disciplined pricing strategies.

One of the hallmarks of Verizon Wireless is the fact that we have demonstrated our ability to achieve this growth in a very profitable manner. On chart 10 you see our cash expense and operating income margin trends. A key reason for our success lies in our distribution strength. Two-thirds of our retail gross ads come from our direct distribution channels. Generally speaking, customers from direct channels are more valuable. They have higher ARPUs, lower churn rates, and have longer customer lives. In addition, we see many of these retail customers returning to the stores to buy accessories or simply browse the latest handsets.

We have lots of initiatives under way which focus on controlling cash expenses. In 2006, we will be moving from two billing systems to one. We have negotiated satisfactory commission structures with our indirect distribution channels. We are constantly driving customers through most efficient means of doing business with us. Web based and other sales service transactions have increased dramatically during the past year, resulting in significant savings.

We have a high majority of our base on one- or two-year contracts. When customers are nearing the end of a contract period, they are very likely to hear from us before their contract expires. The cost of retention is well worth it as the churn management has clearly been a key ingredient in our success in the area of profitability.

Our fourth-quarter margins were extremely strong. It was a quarter in which everything broke just right. In answer to a question posed during our last earnings conference call about margin outlook, I talked about how we look at margins more on an annual basis as opposed to quarterly. I indicate that we're targeting wireless EBITDA margins in the low to mid 40 range. I think it is pretty clear that we take network quality very seriously and we are all about sustaining our best network advantage. There is little dispute that we have the premier network for service reliability and call quality.

Our capital spending has largely been to increase the capacity and reliability of our network. With the exception of the 1 billion EV-DO buildout in the last few years, our spending has not been through new technology. Our capital investments also improved the efficiency of the network. We are constantly looking for ways to drive down the cost of service and improve profitability.

Lastly, our network investments have provided the platform and capacity for growth. We believe that new product and service innovations together with the applications, development and new content will drive growth in the future.

To wrap up wireless, as far as revenue goes, we believe that our customer mix together with increased usage and penetration of our data services will continue to drive growth. The revenue growth coupled with effective customer acquisition cost controls, churn management, and network efficiencies should continue to produce very strong margin performance. We are targeting capital spending to be about \$6.3 billion in 2006, down slightly from last year. You'll see some EV-DO spending, but not the order of magnitude that we had over the last two years. Again, most of the CapEx will be for capacity and to ensure network quality and reliability. Lastly but very importantly, cash generation should continue to be very, very strong.

Now moving to the wireline business, similar to how I just reviewed the key drivers in wireless, I have listed the key drivers for wireline revenues margin and CapEx on chart 13. I will spend a few minutes on each, starting with the revenues. Clearly technology is the driving force of change in telecommunications today. Wireless, broadband, and IT are redefining the traditional view of the wireline business. At the same time, these changes are creating new opportunities. The changing revenue mix has made this additional access line metrics much less important as a barometer of revenue performance than it used to be. We believe that revenue generating units or RGUs will become the key volume metric and provide a closer correlation to revenues. We also believe that this linkage will get stronger as time goes on.

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The measure of customer connections will become more and more important as the Business transforms to broadband. In the consumer market, you are beginning to see real evidence of this with our recent very strong broadband customer growth. In fact, our broadband net ads in the fourth quarter exceeded the decline in retail residential access lines.

Let's take a look at what's happening in the wireline revenues starting with growth services. Revenues from growth services which now total about 11 billion are not only becoming a bigger piece of the pie but they are also increasing at a faster rate of growth, more than 10%. These services include business data transport, long distance, DSL and FiOS. Revenues from core or traditional services on the other hand while still declining are doing so at a lesser rate of change. In 2005, this improvement was worth 100 basis points.

In this context, 100 basis point improvement is about \$260 million. If you set aside the effect of deemphasized or discontinued activities, it appears that we are nearing a stabilization point as revenues from growth areas are enough to offset the declines in the traditional business.

Now let's take a look at our emerging revenue streams, namely FiOS. First let me review where we are with deployment. As we have said by the end of 2006m we are expecting to pass a cumulative total of 6 million premises or about 20% of our households. Going forward we expect to pass about 3 million per year. Since we have started this project, we have seen some significant improvements on our deployment costs. We will be providing some more information in our deployment spending soon but suffice it to say that we're making some very good progress and going forward we believe that technology improvements will further drive down costs of our network costs as well.

As we gain scale in number of customer connections, we expect to drive more operating costs out of the business. What is even more exciting is how we are doing in the marketplace. We continue to see strong and growing customer response in our FiOS data and video product offerings.

Looking at the penetration rates for FiOS data, we are well on plan. We are seeing good customer acceptance and consistently a monthly penetration gain. When we reported year-end earnings, we told you that in markets where we have been selling FiOS data for at least six months the average penetration of the six-month mark for each was 9.2%. At that point this included more than 90 central offices. In the markets where we have been selling FiOS data for at least nine months, the average penetration at the nine-month mark for each was 14%. Again at that point this included more than 35 central offices.

In the state of Texas, where we started FiOS data, penetration now is 24% for all the markets added together. These early penetration rates indicate that we are well on our way to achieving our penetration in five years.

In video we are seeing great initial acceptance by customers. In our first video market, Keller, Texas, we have already achieved 23% penetration in only five months. We have also been selling video services in several other Texas markets. In late November and early December, we began selling FiOS CD in Temple Terrace, Florida and Herndon, Virginia. In Temple Terrace, the video penetration is more than 11% and in Herndon, it is about 5% so far. Still very early, but we are encouraged by customer acceptance to date.

In late January, we added more video markets in Massapequa, New York, Wilburn, Massachusetts and Beaumont, California. One encouraging video fact is that we are averaging 1.42 video-on-demand paid transactions per month, which I understand is much higher than the average cable industry average.

Also of note, we are experiencing pretty good pull through on FiOS data from customers who decide to take our video service. Obviously a large percent of our video customers are very satisfied FiOS users, happy to also sign up for video from Verizon. For people new to FiOS, what we are seeing is that when they take our video service, most of them also decide on FiOS data.

Let's start with the number of unique services we will be offering with FiOS TV in 2006. Services that will differentiate our product offerings from anything in the marketplace today. A few that are the most interesting to me, the multirole VVR, which will extend

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the TV experience to the home network. What is interesting is that nearly 60% of our video customers are selecting the set-top box with a DVR. This is much higher than what cable companies are experiencing on a national basis, which is about 25% of their digital customers. Our DVR is easy to use and puts more control in the hands of the viewer, and we will be offering more functions for personalized viewing in the future.

The media manager will introduce a personalized and IT content into the TV experience, things like music, photos and videos. Another interesting function is global search. What makes ours unique is that it is not limited to linear content. It will include VOD, music content and Internet sources. With FiOS TV, you will be able to set up personalized information at the bottom of your screen, stock tickers, weather, sports, whatever you choose to see. Some very cool functionality.

Hopefully you'll see that we're just scratching the surface here and I think our customers will love these products. We see a platform is what drives innovation by enabling all this appealing functionality.

Moving to costs and margins, we continue to be focused on improving the cost base. We closely manage our [core] levels, balancing them from our work volumes, shipping manpower wherever possible to support the fiber initiatives. Aside from more resources being devoted to fiber, we have seen a clear shift away from the use of traditional contractors who are not part of our headcount to lower-cost forms of labor. This lower-cost workforce includes special or term employees with significantly less benefits than traditional employees.

Traffic expenses in the core business continue to trend down. We have already seen a sizable reduction in use expenses this past year. While growth initiatives initially create downward pressure and margins, we are committed to margin stability and ultimately to margin expansion. It is mission critical to drive other costs out of the business by increasing efficiencies and productivity through the entire organization. I can assure you we've never lose sight of that fact.

We view driving down costs as a critical matter of financial execution. This is extremely important as we remain committed to capturing growth opportunities that will drive future revenue and earnings growth. We see lots of opportunities for efficiencies here, real estate, call center management, and self-service transactions, to name but a few.

As in wireless, our telecom capital investments also enable growth. We expect these investments will result in marketshare gains and revenue growth. Several months ago we said that telecom capital spending in 2006 excluding MCI will be slightly higher than last year at about \$8.5 billion. Incremental capital spending related to MCI is estimated to be about 1.6 to \$1.7 billion in 2006. Of that amount, about \$550 million is considered integration capital, that is spending directive to projects will improve efficiency which will improve efficiency and capture synergy savings.

You can see on this chart how the mix has shifted from traditional to growth. With another year's experience with fiber and merger integration planning complete, I have a high degree of confidence in the stability of the capital spending.

From a total telecom perspective, we see 2006 as the peak CapEx level. The mix shift will continue with an increasing proportion allocated to fiber.

Let's talk about Verizon Business for a few minutes. Suffice it to say we are very anxious to capitalize on this significant opportunity. We have an experienced management team in place with leadership from wireline, wireless and former MCI. We have challenged these seasoned professionals with some very aggressive integration plans and financial targets. We have a hard hitting go-to-market plan under way. Our intention is to deliver a world-class customer experience with a more integrated approach and compelling products and services. We have an aggressive network integration and systems consolidation plan, obviously designed to improve network utilization and achieve synergy savings. And we are very optimistic about our ability to rapidly execute our integration plans.

From a financial point of view, we see revenue growth in 2006 and lots of opportunities to improve margins, moving them closer to industry norms.

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On slide 21, you see synergy targets by year. These run rates are about 10% higher than we initially announced a year ago, resulting primarily from expectations of realizing these savings earlier than we thought. Consequently the NPV increased from \$7 billion to \$8 billion. Network savings drives these early synergies with IT savings being more evenly distributed over the three years.

One significant savings opportunity in the network comes from reduced need for third-party access or simply bringing more traffic on net. These savings will be realized through a combination of moving more Verizon Wireless traffic on net as well as moving our out of footprint access and long-haul LD traffic to the former MCI network. In 2006 we expect these savings across Verizon to be well over \$200 million. It is important to note that the benefit of these savings will be much more heavily weighted to the second half of this year.

To summarize wireline, our focus is positioning the business to grow again. As far as revenues are concerned, we expect strong growth in consumer broadband, continued demand for high-speed, high-capacity services in wholesale and business and an improving environment in the enterprise space. In short, an improving revenue picture.

We talked about our opportunities to reduce the cost structure, particularly in the traditional business, and maintain margin stability with the potential for improvement. Lastly we have provided you with 2006 capital spending guidance.

Before I summarize, I want to spend another minute or so emphasizing the significant cost savings opportunities we see with some specific examples that span the entire Company. The first is Verizon services, a recently created organization to provide back office and support services. This is a good example of how we intend to become more efficient through economies of scale and reduce duplication of effort.

The next big area is real estate. We are conducting an extensive review of our expansive real estate portfolio. We are convinced that we can capture savings and unlock value through this portfolio rationalization. We currently have over 150 million square feet of property across the Company, some portion of which is underutilized. Our goal is to reduce our square footage, increase our efficiency utilization, and reduce annual operating costs. Beyond the cost savings, we believe that we have an opportunity to generate significant proceeds.

We are currently in the process of determining our long-term space requirements, identify any potential property dispositions, and looking at various transaction structures in order to maximize value. This may take some time, but this is a very significant opportunity to both improve our cost structure and generate cash.

Web-based customer self-service applications are also examples of ways we can increase the efficiency of our business. Our network investments are intended to grow revenues and significantly reduce maintenance and operating costs. Our fiber build is a perfect example of this. Suffice it to say that as we strive to stimulate revenue growth in all our businesses, you will see relentless focus on cost reduction.

We will take a moment to summarize our key financial strategic initiatives. I am confident in the FiOS strategy. We are seeing the necessary cost improvements and we're seeing success in the market. I am also confident in our ability to effectively integrate the MCI assets and to quickly realize the expected synergies as a result.

In the area of pensions and benefits, you will recall that we have announced some steps to control future postemployment costs through changes in our management plans. We believe these changes will yield more than 3 billion in cumulative long-term savings. Since these plan changes take place in the year, the benefits in [2000] are rather small, about \$0.01 in EPS, but will become much more significant in the future.

With regard to our Verizon Information Services Business disposition, we are working with our advisors to finalize business plans as we are considering the various structural alternatives. We are still targeting completion of this transaction in 2006. We have not yet reached a final decision on spin versus sale. Obviously there has been lots of investor interest and questions on the

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effect on our dividend. What I can tell you at this time is this. We formally review and assess dividend levels with our Board annually. My current thinking if we were to decide on a spin structure would be to recommend to our Board that it maintain the Verizon Communications dividend at its current annual level of \$1.62 per share.

In addition, we would look to create a capital structure for spinco, that would provide a dividend payment to shareowners. So under a spin structure, this proposal pending Board approval of course would in essence increase the amount of dividends paid to current Verizon shareowners.

Post disposition, we would go back to our normal time cycle of Board review to ensure that we continue to pay a competitive dividend. Our philosophy here stems from confidence in the cash generation capabilities of our business, our outlook for free cash flow, and our commitment to provide significant cash returns to shareowners for more on this value creating transaction.

As far as share repurchases, we intend to use \$1 billion of our free cash flow to repurchase stock during 2006. We have recent Board authority to purchase up to 100 million shares over the next few years and I don't see any impact on our overall average or debt levels at this time. Our intention to repurchase shares coupled with our current thinking about dividends in a post spin scenario is a demonstration of our confidence in our future free cash flows.

Before I get to your questions I want to talk about our outlook for 2006 earnings. On our conference call last month I provided some incremental 2006 earning impact for the initially dilutive effect of FiOS and additional charges associated with net pensions and OPEB. We will also now be folding in the former MCI operations and related synergies. With all of these moving parts, we think it is appropriate to deviate from our past practice and provide more forward-looking information than usual related to earnings guidance.

At this time, we are looking at 2006 EPS to be similar to 2005, about \$2.56, which by the way happens to be the current consensus estimate. However 2006 quarterly earnings will not be spread evenly throughout the year. Specifically we're looking at the first-quarter earnings to be in the range of \$0.57 to \$0.59 per share.

We see earnings ramping more in the second half of this year for two principal reasons, expected movements in Verizon Business and synergy savings that kick in later in the year.

We are very confident in our underlying growth outlook. Wireless will continue to be a growth engine both top and bottom line. In wireline we see signs of stability in both revenues and margins as our growth initiatives gain traction and momentum. And in Verizon Business, we have a great opportunity to improve revenues and margins over the course of a full year.

Very quickly to sum up, we are focused on creating value for customers and shareowners alike. Our strategic differentiation is our network, which distinguishes itself through quality, speed, coverage and security. Our network investments create a sustainable advantage because they provide the growth platforms through accelerated product innovation. We have the strategic assets in place.

At the corporate level we see margins improving after we integrate the MCI assets and focus on further reducing our cost structure. Our cash flow generation is strong and will continue to increase. We will maintain a strong dividend payout and dividends will continue to be an important part of total share on our returns.

Thanks again, Mike, and I will turn it back to you for some questions.

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QUESTIONS AND ANSWERS

Michael McCormack - *Bear Stearns - Analyst*

We have a fairly brief time here. I'm going to (inaudible). A couple questions. One on Wireless – what was the increased risk during minutes usage per customer on average roughly – was it mid teens and low teens?

Doreen Toben - *Verizon Communications - EVP and CFO*

About 650 now and it was maybe 590 in (multiple speakers).

Michael McCormack - *Bear Stearns - Analyst*

So 10%? Okay. I also wanted to ask you (multiple speakers).

Doreen Toben - *Verizon Communications - EVP and CFO*

About – give or take a little bit.

Michael McCormack - *Bear Stearns - Analyst*

On FiOS, ultimately how many cashings are you looking to have in some out year? Of the 6 million this year, how many of those homes will be ready to be marketed with TV? In other words, you've gotten approval from somebody?

Doreen Toben - *Verizon Communications - EVP and CFO*

I think the ultimate number we've said is about 15 to 18 million homes past. On marketable, it is a TV – what we have said now was we have about 1 million homes that we have franchises for. That doesn't mean we are actually marketing to 1 million homes yet. And we said – at the end of the year three to four. So we have been very successful with our franchising lately and so they have been starting to kick in. We haven't given how many we think we will have by the end of the year. What we have said is we are comfortable that we will be able to meet our targets and we will have enough franchising for where we're building to be able to sell.

Unidentified Audience Member

Just go to your pricing strategy on the video side. What is it today? If you compare a bundle of the three services, the triple play for you guys versus the cable operators in your market, and what are some of your longer-term views in terms of whether you guys are going to – where you are going to price video product specifically?

Doreen Toben - *Verizon Communications - EVP and CFO*

I would say the pricing strategy is to be competitive. What you will typically see in each market is different but you typically see the satellite folks at the lower and the cable guys higher. Our strategy so far has been to come in slightly under the cable but more in line depending on the satellite. However, it is really different on the packages. So our initial offer is \$39.95, which is an all-digital 185 channels. It's an incredible offer; however if you start to add your premium services, now when you look at an apples-to-apples it becomes – each market is so different. I would suggest that it will be a competitive strategy as opposed to, say, a very low-priced strategy.

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Unidentified Audience Member

(Inaudible question - microphone inaccessible)

Doreen Toben - Verizon Communications - EVP and CFO

At the moment the current pricing is national. So it is that \$35.95 and then depending on its home box or sports, they've got all these different packages that go on top of that. It depends on the mix.

Michael McCormack - Bear Stearns - Analyst

Doreen, maybe with respect to FiOS deployment costs you talked about a 30% reduction in 2005 and I guess you are expecting another 15 to 20% reduction in '06. Could you just walk us through what are the touch points there? What are the major cost savings you're going to experience?

Doreen Toben - Verizon Communications - EVP and CFO

I think what we've seen and you might hear some more from us later in the week on this is there are sort of two big components that we are talking about. One is home passed and the other is homes connected. On the homes passed, where we've seen the biggest decreases are certainly getting us to where we needed to be, is once we got the scale, we were able to really – with different technology on how you dig in and connect to pole, get where we need to be.

The other piece is really on homes connected and because in '05 we really didn't have that many homes connected, that is the piece that comes after, the scale really hasn't been there yet. We're doing a lot with new technologies – I think you will hear more from us that they are doing some things to the wiring in the house that's different to really bringing those costs down. As far as specifics, I'm not going to give them. Hopefully you might see some more actually later in the week from us.

Michael McCormack - Bear Stearns - Analyst

We're seeing improvement on the interval times on installation?

Doreen Toben - Verizon Communications - EVP and CFO

Yes. As far as the in-house experience, it has become better. I always get confused on what we have announced and not, but there's some things that we're doing on technology in the house that we are very comfortable. We'll probably take off about an hour. So there are definitely have some plans to make sure that that number comes down significantly.

Unidentified Audience Member

Could you give us an update on the Company's thinking towards spinning off some of the rural access lines, some of the less core access lines? The second question concerning one of the subsidiaries, old GTE Southwest, it looks like that was the only subsidiary that actually had an increase in access lines last quarter. Was that FiOS related since that's a lot of Texas?

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Doreen Toben - Verizon Communications - EVP and CFO

I'd have to go pull out Texas by itself, but certainly we do see in Texas access lines -- and we publish those numbers -- are better than in several states. Texas is the area that we have been in the longest and the most and the Southwest has a bunch of states. In fact, I don't know off the top -- I look at it state by state. So I can't in my head relate the Southwest numbers all together. In general the south where you have more growth is doing better than the Northeast for example where you don't have the housing growth. So there is definitely a GDP housing growth aspect south versus north.

As far as access lines, we will continue to say that it is something we will continue to look at. We had said we needed to get through the MCI acquisition and close it in all the states, so it will be something that we in the normal course will take a look at.

Michael McCormack - Bear Stearns - Analyst

(inaudible question - microphone inaccessible) You are going to be able to effective market to MBUs with the FiOS bundle?

Doreen Toben - Verizon Communications - EVP and CFO

They currently have the technology, certainly in the lab testing it. When I guess there's two parts of the MBU issue. There's also key sets. On the single line MBUs, the smaller ones they can market today. So the ones that there is an issue with is a very high-rise so it is we sort of call the garden variety MBUs okay. It's very high-rise that are an issue. Two issues. One is the actual owner letting you come in and market. So there are some circumstances where cable has an exclusive and so the issue is not that we don't have the technology but we have to get owner acceptance that says you can market there.

The other is on the technology side. They certainly have the technology. When it's actually going to be implemented will be some time this year. I'm not going to give you an exact. So it's technology ready when they actually get it into the field some time this year.

Unidentified Audience Member

(inaudible question - microphone inaccessible)

Doreen Toben - Verizon Communications - EVP and CFO

They are working with all the owners as we speak so they certainly know all the buildings. They are certainly already in there discussing with the building owners on a building by building basis. They are doing it now.

Michael McCormack - Bear Stearns - Analyst

We have time for just one more (technical difficulty).

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PRESENTATION

Operator

Good morning, ladies and gentlemen and welcome to Comcast's fourth quarter and full year 2005 earnings conference call. At this time, all participants are in a listen-only mode. Please note that this conference call is being recorded.

I will now turn the call over to Executive Vice President and co-CFO, Mr. John Alchin. Please go ahead, sir.

John Alchin - Comcast Corporation - EVP, Co-CFO

Thank you operator, and welcome to our fourth quarter and full year conference call for 2005. I'd like to first of all refer everybody to Slide #2, which contains our Safe Harbor disclaimer, and remind you that this conference call may include forward-looking statements, that are subject to certain risks and uncertainties. In addition, in this call we will refer to certain non-GAAP financial measures, please refer to our press release and Investor Relations website for reconciliation of non-GAAP financial measures to GAAP.

For opening remarks, let me please pass it over to Brian Roberts, our Chairman and CEO.

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Brian Roberts - Comcast Corporation - Chairman, CEO

Thank you, John. Good morning. In 2005, we delivered solid financial results in all of our businesses, and at the same time and perhaps even more important, we have made significant steps in laying the foundation, that is going to help us dramatically accelerate new product growth in 2006. I'm very bullish, and want to explain to you a little bit, why we are as upbeat about all parts of the Company as we start out the new year.

First of all, the Cable group is very healthy in all parts of the business. We have accelerating CDV, Comcast Digital Voice growth, and a group of content assets, where we are extending and enhancing the value of our programming grants. In 2005, results once again demonstrated the health of these businesses. John and Steve are going to drill into the details, but despite hurricane effects, and an unusual fourth quarter in that regard, and certain investments, opportunities in the content business that we believe are going to pay off in years to come, we achieved near double-digit revenue growth, double-digit cash flow growth, generated \$2.6 billion in free cash flow, and used a significant portion of which to reinvest in Comcast stock.

We are now focused on new products as the engine for a whole new growth era, and 2005 was a terrific year in RGU growth, with 2.6 million units. But that's going to accelerate, as you can see in our guidance in 2006 by some 35%, to 3.5 million units. Our strategy of differentiation in both cable, high speed data, and content is going, and is paying off.

In 2005, in addition to the results that you've heard about, we were very busy laying the foundation, to set us up for this accelerated RGU growth era that we think we're headed into. We were busy building a national back bone. We were busy completing our bedrock foundation, which is a converged network with one infrastructure, that enables all products to be provisioned seamlessly. We have 75% of the Company now offering digital simulcast signals in our markets, and we're ready to ramp up the delivery of yet a new product, enhanced basic cable. 100% digital service that will include our ON DEMAND features, that enhance the video experience for many more customers from where we're at today.

Speaking of ON DEMAND, and our leadership role in developing this differentiated product, we have the opportunity now to continue to expand high-def ON DEMAND. We have the opportunity to expand the quality of the content ON DEMAND, and in 2005, we had 1.4 billion views of our ON DEMAND service, only by our existing digital customers. As you know, our strategy is to take that product through the enhanced cable, and make some form of it available eventually to most of our 22 million customers. ON DEMAND is now available to more than 90% of the digital home, and we have had some markets where the average home uses the product 30 times a month, for a half an hour per view.

We also added 1.5 million DVR boxes and high-def boxes, so the 25% of our digital customers now take what we call advanced digital services. The consumer, and we believe we bet right, wants to be empowered and control their viewing experience, and the combination of DVR and ON DEMAND is unparalleled, unprecedented with any of our competitors. In our content area, we launched Sprout. We partnered with the NHL for Outdoor Life Network, and we partnered with the PGA tour for the Golf Channel. These new initiatives, although perhaps depressing cash flow growth in the short run are going to we believe, pay off many fold in the years ahead, with the ability to have a richer and more robust programming channel, get the distribution expanded, and create more value in the long run, and that's been our pattern in programming for many years.

We signed a 20-year wireless JV during the year with Sprint/Nextel that many of you have heard about. That's going to help us innovate into the wireless space as it interconnects with cable, and available to Comcast customers for years to come, all without having to need to go into the wireless business directly.

So I believe the technical foundation is now in place, and because of that fact, our network and all the work that we've put into our back office, we are in a unique position today, to offer a bundle that no other competitor can offer, and we recently have reorganized at the beginning of the year, and Steve can talk a little bit about this, the Company internally to have one operations, marketing and product development team, regardless of what products are in the bundle, so that there's one team driving the bundle. And we have one engineering team for all our products doing the same thing for video, voice, high speed data, and wireless.

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So we've done the work. We're ready to go, and you're going to hear about that in greater detail. As you look out at the opportunity for Comcast, which is I think, different than perhaps any other company in the space, we have multiple products now that we can sell, including CDV, to the 42-plus million homes in our market.

Now, we have a great opportunity to increase RGUs, by selling to our own customers. Approximately 21, 22 million homes, but that leaves another 20 million homes where we have built this state-of-the-art fiber-based network, and we have no relationship with the consumer. That 20 million homes is probably larger than almost all but one other cable company in existence, and as we launch more services and features, we hope that the power of that bundle will allow us to extend our customer relationships into more of those homes in the years ahead.

Finally, in 2005, we invested more than \$2.5 billion in our stock through stock repurchases and related securities. In the last two years, we've invested a total of \$5 billion in our stock buyback and our retirement of exchangeables. While at the same time maintaining a strong investment grade rating. Today, I'm pleased to announce that the Board has approved an additional \$5 billion buyback authorization, hopefully demonstrating our belief and confidence in the business, and our commitment to long-term shareholder value growth.

With that, let me pass it over to John and Steve.

John Alchin - Comcast Corporation - EVP, Co-CFO

Thanks a lot, Brian. We had a very strong fourth quarter, despite the impact of a number of hurricanes, particularly on our cable business, but first of all, I'll review the consolidated numbers and then the cable results in subsequent slides.

Consolidated revenues for the fourth quarter increased 9.2% to 5.7 billion, and for the full year, they grew 9.6% to 22.3 billion. The growth is driven primarily by the terrific growth that we've had in our cable business. Consolidated operating cash flow for the quarter grew 8.5%, but adjusted for the hurricane impact, it actually increased 10.3% for the quarter.

For the full year, consolidated operating cash flow grew 12.8%, but when adjusted for the impact of hurricanes, was actually 13.2%. So bottom line, we met our consolidated guidance of approximately 10% revenue growth and 13% operating cash flow growth. Consolidated operating income for the year was up 27% to 3.7 billion, and consolidated net income for the quarter was 133 million, or \$0.06 a share. EPS for the quarter of \$0.06 a share reflects declines in investment and other income totaling 495 million for the quarter, in addition to a higher tax rate than we reported for the full year.

We've added a table 7-B to our press release that shows that adjusted EPS for the quarter increased to \$0.09 from \$0.04 a year ago, and to \$0.41 for the year from \$0.20 a year ago. Adjusted net income excludes investment and other income, net of tax, and excludes a fourth quarter refinement to our effective tax rate.

So let me just make a couple of comments about the content division, before I move on to cable. Content revenue for the quarter increased 14.2%, and for the full year 17%, to \$919 million, reflecting increases in network ratings and advertising revenue for all of our networks. Cash flow declined in the quarter to \$35 million, as we continue to invest in programming and production, as Brian highlighted, expenses related to OLN coverage of the NHL began in the fourth quarter, along with other programming initiatives, and certain restructurings.

For the full year, content operating cash flow increased 7% to 283 million. We continue to build value in our content business, as shown by our recent announcements with the NHL and PGA, as Brian described. 2006 will reflect a full year of NHL costs, but none of the PGA-related costs will commence until we get into 2007. Ratings for all channels are up. Some of them to all time highs. We'll be investing in new programming across the board, and while this will put pressure on aggregate content, operating cash flow for 2006, we're really excited about the long-term outlook for our content division.

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For the full year, corporate and other revenue decreased 12.4% to 178 million. Operating cash flow decreased 43 million to a loss of 248. Results for the year were impacted by the resumption of NHL games in 2005, offset by transaction and other expenses, primarily in the fourth quarter.

Now I'll drill down into the cable results. We finished 2005 with solid unit growth and near double-digit revenue growth of 9.5%. Total video revenue increased 5.7%, driven by a number of factors. Total revenue per basic sub increased 9% to \$84.12, driven primarily by new product success. But the core video business is also in very strong shape. We added 40,000 basic subscribers in the fourth quarter to end the year with 21.4 million.

Due to hurricanes, basic subscriber additions reflect an estimated loss of about 20,000 subscribers in the quarter. So adding those back to the number that we added for the quarter, we would have had 60,000 net adds, which would be basically the same as we reported for the fourth quarter of 2004.

We continue to believe that RGU growth as a metric that measures the growth of our multiple products is a more important measure of the strength of the business than basic subscribers. Nonetheless, we're very encouraged by the strength of our basic subscriber net adds in the fourth quarter, and by the experience of other MSOs who have bundled phone and other service offerings. In addition, we added 1.1 million digital customers. This is our highest level of digital net adds in three years. This reflects increased consumer demand for new digital features, including Comcast ON DEMAND, high-definition television programming, and digital video recorders. We ended the year with a total of 9.8 million digital subs, representing a penetration rate of 46%, up from 40% last year.

During 2005, we also doubled the number of HD-DVR set-top boxes, adding 1.5 million advanced set-top boxes, giving us 73% of the boxes deployed, had this advanced capability, up from 51% in 2004. And we actually ended the year with 2.7 million of those boxes in service. This means approximately one out of every four of our digital customers have one of these advanced set-top boxes. That's 25%, up from 13% a year ago.

We also added about 70,000 enhanced cable customers in 2005. We now have digital simulcasts in 75% of our footprint, and expect the number of enhanced cable subscribers in 2006 to increase substantially. And we continue to see very strong results in Pay Per View, which is up 16%, making it the third year that we've had an increase in excess of 15%.

High speed data business is also in great shape, delivering \$4 billion of revenue, an increase of about 28%. Today, high speed data accounts for nearly 20% of cable revenue. We continue to focus on adding value to customers, by increasing speeds and adding features, with the goal of growing units and maintaining average revenue per unit.

During 2005, we added a number of feature enhancements, including increased speeds, up to 6 and 8 meg. Free McAfee internet security solutions, NHL On Line, Photo Show Deluxe, and much more. We ended the year with more than 8.5 million high speed data customers, adding more than 1.5 million units for the year. This is a 22% increase in the number of subscribers and our penetration rate is now 21% of available homes, up from 17.5% a year ago.

We continue to believe that there's significant growth potential in the high speed data category, as we enter 2006 and our sell-in rate continues to be strong, ending the year at 40%, up from 33.5% in the fourth quarter of '04. For the year, average revenue per subscriber was stable, roughly in-line with the year ago at \$42.82. So we continue to be successful, achieving strong growth and profitability in high speed data, despite competitive pricing pressure.

In the phone category, we're very excited about the rollout of CDV, which Steve is going to cover in some detail. But just let me make a couple of comments on revenue and operating cash flow for phone. Cable phone revenue declined 2% to the year, which includes the increase in revenue associated with the addition of CDV customers through the year, offset by the loss of circuit switch customers, which generate higher revenue per customer.

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Revenue growth in cable has been and will continue to be impacted by our legacy circuit switch phone business. This is not a greenfield business for us. The circuit switch business is declining, both in terms of number of subscribers and revenue, as we transition to CDV. All new CDV customers will come in at lower revenue per sub than circuit switch, but we're significantly accelerating the growth of CDV in 2006.

This will result in mid-teens phone revenue growth in 2006, as opposed to the 2% decline that we're reporting for this year. Over time, phone revenue growth will drive higher growth in total cable division revenue, and contribute to revenue and operating cash flow growth, as we scale and gain efficiencies in this area.

A brief comment on advertising, which increased 6% for the year to \$1.4 billion. We expected advertising growth to be impacted by a decline in political advertising when compared to 2004. Overall, the advertising market was soft, as advertising spend slowed in the second half of the year, particularly in the auto sector. The increase in other revenue, primarily reflects the growth in regional sports, because of the launch of Chicago SportsNet, which occurred in October of '04, and we expect in terms of outlook for 2006, cable revenue to grow 9 to 10%, driven by growth in digital and high speed data, and mid-teen growth in the CDV category that I just described.

Moving on to Slide #6 that describes the operating cash flow that we report for the year for cable, which grew 13.2% to 8.5 billion. For the full year, margins were 40%, up 130 basis points as a result of strong top line growth, and continuing success in controlling the growth of certain operating costs, including programming expenses, which increased 5.4% to 4.4 billion. During 2004 and 2005, a number of major hurricanes impacted systems serving communities in southern, southeastern U.S. Including the costs associated with the hurricane-related repair expenses of 15 and 37 million in the third and fourth quarter of 2004, operating cash flow grew 14% to 8.5 billion and 12% in the fourth quarter of the year.

2006 operating cash flow guidance is 10 to 11%, driven by double-digit revenue growth in all of our new product categories, offset by higher costs associated with the rollout of CDV, which we estimate creates a drag of approximately 100 basis points on operating cash flow growth. We do not expect this drag to continue beyond 2006, as the business scales.

The strength of our business is really evident in Slide #7, where we highlight the number of RGUs. For each of the past three years, we've added approximately 2.6 million RGUs and at the same time, we've reported an increase in the increase in total revenue per basic subscriber to \$82 from \$62, a compound growth rate of almost 10%. We added more than 2.6 million in 2005, beating out guidance our of 2.5 for the year. We expect CDV to have a significant impact on RGU net additions in 2006 and beyond, as we move from early deployment to more aggressive rollouts and mass marketing of this product. Including the decline of our circuit switch customers, as we transition to CDV, we expect to add roughly 750,000 net new phone customers in 2006. The net adds from CDV, along with continued strength in digital and high speed data translate to total RGU guidance for 2006 of 3.5 million.

Moving on to Slide #8 that describes capital expenditures, these were relatively flat in 2005 at 3.57 billion. If we net out the 25 million of hurricane-related capital costs, cable capital for the year was 3.54 [billion]. Capital reflects-- billion, I'm sorry. Thanks, Brian. CapEx reflects a 71% decline in rebuild capital, offset by increased purchases of digital set-top boxes, to meet the strong demand for HD and DVR services, and costs associated with deployment of CDV. In 2005, roughly three quarters of cable capital expenditures were variable and demand-driven compared to 58% in 2004. We expect 2006 to look very much like 2005 in that regard.

As shown on this slide, both CapEx per RGU and CapEx per subscriber, declined in 2005 from 2004. Over the past two years, CapEx per RGU and CapEx per sub, has declined 24% and 13% respectively. The rollout of CDV and continued customer demand for advance services will continue to drive capital expenditures in 2006, but we expect to maintain CapEx at similar levels in 2005, similar levels to 2005 or approximately \$165 per subscriber.

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Moving on to free cash flow for the year, we generated 2.6 billion in consolidated free cash flow, which is a 33% increase, driven primarily by the increase in cable operating cash flow. We generated 699 million in the fourth quarter, a 40% or almost \$200 million increase when compared to the fourth quarter last year.

We've consistently disclosed in our press releases, in tables 4 and 7 each time, that our definition of free cash flow is unaffected by fluctuations in working capital, and payments associated with intangibles and other noncurrent assets, acquisitions, and investments. At the same time, we have provided supplementary information in our press releases, that disclose the working capital and intangible numbers. We take pride in maintaining the highest of financial reporting standards, and in providing useful and transparent financial information. In this regard, we're changing our definition of free cash flow in 2006 to reflect the impact of working capital and intangibles.

So if you move to Slide #10, you'll see that our new definition of free cash flow is consistent with most company's free cash flow definition, and responsive to investor's requests. Effective in 2006, free cash flow will be defined as cash provided by operating activities from continuing operations, as reported in our GAAP statements, reduced by capital expenditures and cash paid for intangible assets, and increased by payments related to certain non-operating items, net of estimated tax benefits. Slide #10 recalculates the 2005 free cash flow based on the new definition, and expresses a conversion rate of operating cash flow into free cash flow. For '05, our conversion rate was 25%, and we expect to match or beat that number and have guidance for 2006 of 25 to 30%.

Moving on to the next slide, #11, Brian's already described how we significantly accelerated the pace of our share buyback in the second half of 2005, buying back 901 million in the quarter. So for the full year, we repurchased \$2.3 billion, and when adding the exchangeable securities, invested \$2.5 billion in our securities. So we're pleased to report the additional Board authorization of \$5 billion.

If you would move, then, to my closing slide looking at the outlook for 2006, we expect a very strong year in 2006, leading to continued growth in 2007 and beyond. I would point out that none of the Adelphia, Time Warner, or Susquehanna transactions are included in this guidance. As I mentioned earlier, the rollout of CDV will have a negative impact of about 1% on cable operating cash flow growth in 2006. In addition, our investment in content will impact operating cash flow growth by about another percentage point.

Following 2006, we expect CDV growth will contribute positively to cable and consolidated operating cash flow growth, and we believe it can help us continue to drive double-digit EBITDA growth in cable over the next several years. CapEx guidance incorporates RGU guidance expectations of at least 3.5 million units, to the extent we are successful in driving RGU growth to a higher level in guidance, this in turn could have an impact on our variable capital requirements.

With that, let me pass it to Steve for his comments.

Steve Burke - Comcast Corporation - EVP, COO

Thank you, John. Normally on these quarterly calls, I cover all of the key aspects of our business from basic subs to high speed data to digital and add sales. But I think this time it makes sense just to highlight the importance of our phone business, and give you a more complete update on what is really our key initiative for 2006 and beyond. So I'm just going to concentrate on Comcast Digital Voice, CDV, during this section of the call.

If you turn to Slide 13, let me start with 2005 results. We ended the year with 16.1 million marketable homes. We actually passed 21 million homes, but some of those homes are not immediately marketable, because we can't get into apartment complexes, or don't have the right interconnection agreements, but 16.1 million marketable homes is where we ended the year. We launched 25 new markets during the year, and during the fourth quarter, we added 134,000 CDV subscribers, or about 10,000 subscribers

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per week. By the way, in the beginning part of the first quarter of 2006, we're up to 14,000 to 15,000 per week for the first weeks of this year. And finally, we met our target of 200,000 net adds for the year.

Moving on to the next slide in our plans for 2006, you'll see we plan to end the year with about 80% of our homes marketable for CDV by the end of the year. We'll also be launching 15 new markets. We plan to add 1 million new CDV subscribers during the year, and as importantly as everything else, as we move to an integrated Triple Play offer, we think we're going to start to see CDV help our video and data business, the way it has with other MSOs, and the way it has in various test markets.

Now let me give you a little color behind the numbers. In 2005 we really laid the foundation for the growth we're going to enjoy in 2006 and beyond. And some of this is a bit, a bit boring and under the surface of the water, but it's very, very important, and we made a lot of major progress during 2005 on these items. We now have a single integrated provisioning system called bedrock. What that allows us to do when we sign up a new customer, whether it's high speed data or phone, we can now do that in an integrated way, on a system we control in every single system in the country.

Secondly, we have converged regional area networks, which are really the skeleton upon which we're going to be driving our CDV business. Those are all now in place in the markets where we've launched phone. We have integrated three product billing for all of our markets. So a customer gets one bill for all three products.

We have a website for all of our phone customers, so that people can go in and look at the call activity, and we don't need to send that in every single bill. We put in place a management structure in every single region of the Company where we're going to be launching phone, and we've trained over 20,000 people. The Company is so large, the training process has been very extensive. These are really the building blocks for our phone business, and they are behind us, and for the most part, we're ready now to concentrate on the part of the phone rollout, which is going to impact our customers, and going to help us grow our business financially.

The really important thing for us is, I think we are years ahead of where our competitors are and will be. Right now we can offer three products to 25 million homes, if you include our old circuit switch phone business, and we can do that immediately and are doing that. If you look at the Bells combined, we think they can only offer an integrated three-product bundle over their platform to about 1% of just our number, about 250,000 homes. We also think they face a number of very significant hurdles to get to where we are, and what they are doing today frankly is just not a scalable or financially feasible solution. So we think we have a real head start. We're ready for prime time, and we're going to be very aggressive in 2006 and beyond.

We've also made a lot of progress in the last six months thinking about what an integrated three-product bundle can do for our business. When we launch a market, we really go for phone, we really go through four gears. The first gear is to get the infrastructure ready. The second gear, about six months before we launch commercially, we go to friendly homes or employee homes, and really start to debug the process. The third gear is commercial launch, and that gear lasts for about six months after we go commercial, and then the fourth gear is what we call Triple Play. And in that fourth gear, you're really offering the business, the Triple Play as your major marketing message to the market that you're marketing to. The real payoff is getting to fourth gear.

When a market enters this Triple Play gear, a bunch of very important benefits occur. First, you increase the number of CDV net adds, because it's your major marketing message. Secondly, the high speed data business gets a booster rocket, because everybody who gets CDV by definition also gets high speed data. So it dramatically ramps your high speed data business.

And then finally, you get a basic subscriber trend improvement, because the competitive dynamic was satellite, and the price-value relationship with satellite shifts quite significantly. We know these benefits occur in Triple Play markets, because we've been testing this now for a number of months. We recently, in early January, launched our New England market, which is about 10% of our Company, around 2 million subscribers, as a Triple Play market, and we've also seen these kind of results with Time Warner and Cablevision. So our plan is to, as we go through the year and the phone markets mature, and more of them go into Triple Play mode, to continue to launch Triple Play markets, as we enter the second, third and fourth quarter.

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Our plan is to have an entry level price point of \$99 for one year, and then upsell to a higher ARPU. That upsell process is very important, and really sort of key to our whole strategy. We would target this offer in our marketing to new subscribers. And as Brian mentioned, we have about 20 million homes in our footprint that don't take any products at all from us, and virtually all of those homes have a phone. So it's a very big target market that we're going to aim at, as we launch this Triple Play. We want to do this very methodically. Traditionally, what we do when someone calls us, is we cross sell and then we upsell.

What we'll be doing once we launch Triple Play is concentrating on the upsell process, which is very important. We also want to make sure that we're concentrating on new customers, and really using CDV to drive our entire business, high speed data, basic subscribers, and phone. It's very important that we're ready to handle the volume. These three product bundles drive a lot of business, and we want to make sure we handle the volume efficiently from an operating point of view, making sure that our truck rolls are done with as many times as possible all three products, and we're not running multiple truck rolls for individual installs.

We want to make sure that the marketing is as efficient and integrated as possible. We also think that there are efficiencies from a capital point of view, if we do the Triple Play the right way. Our first major market was New England. We're seeing very strong results. Others will follow. Indianapolis, and other markets will be launched in the not too distant future. And as Brian touched on, we have realigned our entire organization. You can't market with three marketing departments, if your marketing focus really is in integrated bundles.

From marketing to engineering, we've realigned the entire Company around this strategy, and a lot of that planning work and our play book for how to do this is now complete. I think it's very fortuitous that we are now entering this Triple Play mode at exactly the right time. It's about a three-year time period since we integrated AT&T Broadband. Their margins were 20% when we arrived. We now have a combined company margin of 40%. All the rebuilding work there is done.

Our video business is in very good shape, with VOD and DVRs, et cetera. Our high speed data business, we're now over 8.5 million subscribers, a level that we never thought we could achieve just a few years ago. But that high speed data business is now ready for a booster rocket, which CDV is going to provide. And as I mentioned, the infrastructure is ready. Most importantly, we're going to have a first mover advantage here. I think we're going to have it for a very long and sustained period of time. So I think we're right where we want to be.

We're very excited about 2006 and beyond. Our organization is very excited about what CDV can do as a new business, but as importantly, what the Triple Play can do for our entire business and our outlook competitively. So with that, John?

John Alchin - Comcast Corporation - EVP, Co-CFO

Operator, could we open up for Q&A, please?

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question and answer session. [OPERATOR INSTRUCTIONS] Your first question comes from Aryeh Bourkoff with UBS.

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Aryeh Bourkoff - UBS Warburg - Analyst

Yes, thanks. Good morning. I wondered if you could, you mentioned obviously the voice revenue growth in '06 being, I think you said mid-teens. Clearly EBITDA, negative the first year. Could you talk about what kind of ramp-up do you see beyond '06? When does voice become a cash flow contributor to the company?

And then secondly, I was wondering if Brian could talk a little bit more about what the company's doing with respect to content. Obviously some investment right now in the Outdoor Life Network. Maybe talk about what the goals were, with respect to the NFL package, and what we're expecting to come from here, in terms of cost to develop content? Thank you.

Brian Roberts - Comcast Corporation - Chairman, CEO

Okay. I'll try to hit them both, John, you can jump in on the first one. Obviously we're not doing '07 guidance here today. So I will generally say that it's our belief, as we put this budget together, if you looked at the various things management has to look at, which would be pushing EBITDA, push for that maximum EBITDA growth we could, push for the maximum RGU growth we could, try to have the minimal capital expenditures we could, and some of the other kinds of variables that go into putting a business plan together.

If had you to pick one that we said we want to accelerate, obviously I think Steve did a wonderful job just now explaining the strategy. We are accelerating RGUs, and if at some level that is putting some pressure, downward pressure on EBITDA, as John tried to estimate, in my opinion, if you can be double-digit cash flow, convert 25% of that to free cash flow, and at the same time have a 30-some percent increase in your growth rocket engine for the future years, it should then in logic lead to, in the years beyond '06, to the same or better, hopefully better growth rates for the Company.

We don't think this is a one-year phenomenon with telephony, but we will reach scale when you're talking about a million units of volume, and having the company trained, and all the service issues that that will create. And so I think we're very bullish on cable's prospects, which is a different answer perhaps than what the market sees, in terms of our business prospects. We can't be certain obviously, put all the caveats around it, and we'll give you the '07 view when we get there, but we believe this business is going to remain healthy and, you know, obviously people are entitled to their own opinion. John, do you want to add to that?

John Alchin - Comcast Corporation - EVP, Co-CFO

The only thing I would reiterate, Aryeh as I said in my comments, this drag of 100 basis points created by the CDV business in 2006, we do not expect to extend into 2007.

And from a revenue standpoint, the circuit switch business will decline probably about mid-teens in 2006, but then in the aggregate, CDV is going to lift total phone revenue for the year to mid-teens. So we're in a different position from a lot of other people, because of that legacy CDV business. So we think the outlook for '06 and '07 is very, very strong.

Brian Roberts - Comcast Corporation - Chairman, CEO

Okay. On content, we have always said that there's an opportunity to build cable programming brands, and when we looked at NFL football or PGA golf, or any other activities like hockey, NHL hockey and other things, that haven't been reported publicly, our goal is the same. We are trying to take our brands and extend the number of homes. In most of our channels, we don't have any channels, maybe E! is the exception, that is north of 70 million homes or 80 million homes, like some other cable channels.

We have an opportunity to reach into more homes, which will add revenue and cash flow in the years ahead. We have an opportunity to lift ratings, and continue to get revenues from advertisers and cable operators, as you become more relevant. And so each one is opportunistic. There's a financial discipline in the Company, in each situation. If I might, I'll dwell on the PGA

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golf tour more than I will on the one that's not happening. We have a potentially a 15-year relationship that will, any golf tournament, 40 week as year that's happening in the Professional Golf Tour, the only place to see cable television golf in those 40 weeks will be on the Golf Channel.

That's a tremendous leap forward for that network and going to add great value. So in the short run, if that's a drag on cash flow, again, our strategy is to build for shareholder growth in the long-term. That's what has served this Company so well, and I think in the content area, these are relatively small impacts to the overall corporation, but may be very significant opportunities to each individual network.

John Alchin - Comcast Corporation - EVP, Co-CFO

Next question, please, operator?

Operator

Our next question comes from Ray Katz from Bear, Stearns. Please go ahead.

Ray Katz - Bear, Stearns - Analyst

Yes, thank you. Your operating cash flow guidance for cable, 10 to 11%, I'm assuming obviously that's after the options expense, but I'm assuming that that's a reported number, in other words, not adjusted for the hurricane impact. If you adjust for the hurricane impact on that number, you lose about 80 basis points of growth. Am I doing that correct, and if we look through the hurricane impact, are we really talking, about 9.5% to say 10% operating cash flow growth in cable?

John Alchin - Comcast Corporation - EVP, Co-CFO

No, I don't think that's the case, Ray. I mean #1, yes, it's adjusted for the options expense, and what we're looking at here is guidance for the full year of 10 to 11. I mean there's no attempt here to sort of exclude from those numbers, or anything like that.

Operator

Our next question comes from Douglas Shapiro with Banc of America Securities. Please go ahead.

Douglas Shapiro - Banc of America Securities - Analyst

Thanks. I also have a question about the guidance. It looks like, Steve, based on what you just said about the run rate heading into '06 that you're currently on a run rate already for something between 750,000 and 800,000 VoIP adds this year, and your footprint is still set to double by the end of the year. So my question is, does your EBITDA guidance leave a little bit of wiggle room, if you end up exceeding the 1 million net VoIP adds?

John Alchin - Comcast Corporation - EVP, Co-CFO

Doug, we're trying not to, you know, anticipate things that may happen beyond the guidance that we've got in here. We're guiding to VoIP adds of 1 million to the extent that we're more successful, you know, we'll address that when we get to it. But I think this is an integrated package of RGU VoIP growth, and let me pass to Steve.

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Steve Burke - Comcast Corporation - EVP, COO

Let me make one quick point. It is a massive undertaking to take a business and ramp it the way we're going to ramp our phone business, and we saw firsthand what happened to AT&T Broadband when they ran the business for units. They went out and said we're going to have X amount of phone subscribers, and the entire company ran to get units. And we're not going to run the business that way.

We're going to run the business based on what's right, and we're going to expand markets based on when the markets are ready, and when we can deliver a quality product, and I think it would be inappropriate for us to put numbers out there that would cause us to stretch, and push the business faster than when it's ready.

John Alchin - Comcast Corporation - EVP, Co-CFO

But our 10 to 11% number for cable OCF does include that 100 basis point drag that we expect from CDV roll-out, before the business scales by end of 2006.

Operator

Our next question comes from Craig Moffett with Sanford Bernstein. Please go ahead.

Craig Moffett - Sanford Bernstein - Analyst

Yes, good morning. First John, I want to clarify your free cash flow guidance, if I could. Am I correct in based on your conversion rate, to understand that free cash flow guidance is 2.3 to 2.8 range for 2006?

John Alchin - Comcast Corporation - EVP, Co-CFO

Yes, that's right, Craig.

Craig Moffett - Sanford Bernstein - Analyst

Thanks. And then second for Steve, Steve, you talked about your fourth gear marketing. I guess it sounds like you're now hitting fourth gear marketing in Boston. How much of your footprint right now is in that fourth gear window, as you describe it? And what's your lead offer in that fourth gear window for, especially for non-subscribers? Are you leading with the Triple Play bundle, or are you leading with a Double Play bundle of voice and data?

Steve Burke - Comcast Corporation - EVP, COO

The answer is we are a Triple Play right now in 10% of our footprint, around 2 million subscribers. And what we're leading with aggressively, and in the market in the Boston Globe, and on broadcast television, is \$99 for one year, all three products.

Our experience in Boston so far has been that that's the lead offer, but the average revenue per subscriber is significantly higher than 99, when they come in on that Triple Play bundle, and that's probably 80% of our marketing effort in that market. And what we're doing is watching the results in Boston very carefully. We had a meeting last week with the top 25 executives in our Company and all of our division presidents, and essentially we're taking the Boston play book and then refining it, and then using that to roll-out other markets.

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We would anticipate, once you get into the second, third, fourth quarter, that that 10% of our Company, would go up to 40, 50, 60% over time when markets are ready. But the thing that we're noticing in Boston is once you do that Triple Play, and once you put that offer out in the market, the phones ring, and people are very, very interested in our services, and you have to be ready for it.

Operator

Our next question comes from Kathy Styponias with Prudential. Please go ahead.

John Alchin - Comcast Corporation - EVP, Co-CFO

Kathy? Could we go to the next question?

Kathy Styponias - Prudential Equity Group - Analyst

Hello, can you hear me? Hello?

Brian Roberts - Comcast Corporation - Chairman, CEO

Go ahead. We hear you.

Kathy Styponias - Prudential Equity Group - Analyst

Great. First question is for John. John, your working cap needs went up dramatically in the fourth quarter. A lot of it seemed to be related to the AT&T merger, in light of the fact that you are now including working cap in your definition of free cash flow, can you give us a sense of how much we can expect, well what can we expect for working cap needs in 2006, and how much of that will be, how much is still left, I guess, related to the AT&T merger?

Then second question for either Steve or Brian, there's lots of discussion on net neutrality. I was just wondering if you can give us a sense of when you think the cable industry in general and Comcast in particular, might look to try to basically manage their bandwidth for more greater operating and financial efficiency, and when you might be looking to start charging certain content providers for higher speeds, if they so desire it. Thanks.

John Alchin - Comcast Corporation - EVP, Co-CFO

Kathy, in response to the working capital part of your question, as we point out in Table 4 and Footnote 4, \$557 million of the \$585 million negative impact, or negative working capital for the fourth quarter, relates to an AT&T Broadband income tax-related payment. So for the full year, we had about \$994 million of AT&T-related payments. So the 557 was really, you know, something that is out of the ordinary, not expected to recur.

So where we end up for the full year working capital net of the AT&T payments is about \$271 million. That's netting the 994 out of the 1.265 billion that we had for the year. We're expecting that the AT&T-related needs, if you look at how that has continued to come down, net of this tax payment, we're down in the 250, 300 range for the year. That should be even lower in 2006.

And then ongoing working capital needs are factored into our new free cash flow guidance, and we expect that they will be, if you go back to 2004, they were 300 positive, about 300 negative for 2005. Over time they tend to wash out.

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Operator

Our next question comes from—

John Alchin - Comcast Corporation - EVP, Co-CFO

No, no, for Brian.

Brian Roberts - Comcast Corporation - Chairman, CEO

Let me answer the question on net neutrality, if I might. We continue to believe that proponents of the so-called net neutrality are pursuing a solution in search of a problem. Neither Comcast nor any other major cable operator has ever blocked access to my knowledge of customers to any websites, and the competitive market, in fact there are multiple ways to access broadband and the high speed internet, and the internet in general, continues to be the ultimate governor of conduct in this context.

But we do also recognize and try to advocate for our right as a network manager, to manage the network, to make sure that the customer experience does not get degraded, due to outside influences like spam and other things.

And finally, we have not had any discussions with content providers with respect to any charges directly from such providers, and that's an area that at this time, that's where we're at. So we don't believe that this is the right policy. I don't see it at the moment, having a lot of, it is a regulation of the internet, and we're certainly going to try to fight anything like that.

John Alchin - Comcast Corporation - EVP, Co-CFO

Next question, please, operator?

Operator

Our next question comes from Vijay Jayant from Lehman Brothers. Please go ahead, sir.

Vijay Jayant - Lehman Brothers - Analyst

Thank you. John, I just want to understand on the video ARPU, seems to be up about 6%. I was hoping it would be higher, given the 25% of your digital substack are high-end service, BPU revenues are up, as well as adding 1.1 digital subs in the last year. Is there any reason why that's not growing higher than typically your annual rate increase is? Thanks.

John Alchin - Comcast Corporation - EVP, Co-CFO

It's growing slightly higher than the annual rate increases, Vijay, but if you think about the numbers that we're adding on a base of 21.5 million, it just takes a lot more than that, to move the entire base. If you look at total video revenue for the year, we're moving off a base of \$13 billion, so as you look year-over-year, we're gradually moving the dial, but it takes an awful lot to move the dial when the base is that big.

Next question, please, operator?

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Operator

Our next question comes from Bryan Kraft with Credit Suisse. Please go ahead.

Bryan Kraft - Credit Suisse First Boston - Analyst

Thank you. You talked a little bit about the upsell in the Triple Play offer, Steve. I guess more specifically, what has the actual customer bill been running at, and what percentage of customers have actually been taking the \$99 product? And then also, where have the voice costs per gross add costs been running, including marketing installation and CPE?

Steve Burke - Comcast Corporation - EVP, COO

Okay. We're very early on and I'm hesitant to give numbers, but there is a lift, and the lift is, you know, 10 to 20% over the offer price, in every instance where we have done this so far. And that's really critical to the whole strategy. What happens, is when you talk to a customer and sell them the \$99 product, that is, that is cheaper than they can get the three products on an A-la-cart basis from our competitors, by and large, significantly cheaper. So the person on the phone feels like they have saved money. They have money in their pocket.

So then when you sell digital plus HBO, plus Showtime, or other services, DVR, for example, consumers are very, very willing to go there. So what we're finding is that we're very consistently, significantly above the \$99.

In terms of the percentage of people taking the \$99, in terms of new connects, we have heard that there have been times that other cable companies like Cablevision, get to 40 or 50% of new connects on the Triple Play. We're not that high yet. We're closer to 20% in the New England area, but I think over time we will get higher, as we become more known for the Triple Play. About 75% of our phone customers take all three products, and I think that's, that's a number that's likely to stay consistently high, and maybe even grow.

So it dramatically changes the operation, and the conduct of the system, and also the perception in the market, and there are four or five metrics that are very important to measure, and we're watching those very carefully in New England, and refining all of our call center policies and technical policies, to make sure that they stay where they need to be.

John Alchin - Comcast Corporation - EVP, Co-CFO

Next question, please, operator?

Operator

Our last question comes from [Wa Lee] with Goldman Sachs. Please go ahead.

Wa Lee - Goldman Sachs - Analyst

Hi, just actually two questions. On the DVRs and the HD-DVRs, we've been hearing that the CPU costs have been declining much faster than expectations. Can you pull out a little bit of color what you're seeing on the costs, and you've been trying to push more into the retail, as opposed to just buying directly from the true providers. Have you seen that impact your costs? And also on the wireless JV, when should we expect to see the product launched? Thank you.

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Brian Roberts - Comcast Corporation - Chairman, CEO

Well, let me start big picture and maybe Steve can comment a little bit on specifically where we're at. But for those of you that did not go to the Consumer Electronics show, Comcast announced several initiatives with Panasonic and Samsung, at the Panasonic announcement, exactly to your point, a new entrant to the set-top box market, they believe they are going have boxes in a year or so available. They will be high-def, I think really sort of three-tuner boxes. That's more than we have now. They will have 2X the capacity for storage for the consumer, and it will have the ability to quote, go to the net or live television or VOD. It will be a much, it's an all digital box and it will come in at significantly lower prices than what we're paying today.

And we had, the Chairman of Panasonic, Electronics present us with their plan, and we put a purchase order in, and at the same time we worked with them on an initiative, this is unrelated, to have television theaters and home theaters produced by Panasonic integrate with Comcast and potentially other cable companies, so that with one remote control, you can control your volume, and your theater, control your DVD player, control your DVR box, and can turn on your Panasonic TV, all with the Comcast experience popping right up, no other provisioning required.

So the relationship with these consumer electronics companies, and the innovation that they can provide to our industry, and doing it on a combination of their balance sheet and our balance sheet, not solely our balance sheet, I think is the model that we want to pursue.

We had a similar exciting announcement with Samsung. So you're talking about two of the three or four largest consumer electronics companies in the world, now have direct relationship with Comcast. By no means does that mean we aren't interested in a major ongoing and increasing our relationship with Motorola and Scientific Atlanta. But there's a lot of development going on, and I think this is all going to be good for us in both innovation, in consumer applications, and in reducing capital, so that this begins to be a more competitive marketplace.

And that's a lot of the initiatives that we didn't talk about in this call, that we also did in '05, have laid the foundation to make this kind of thing possible with all digital. You couldn't do that if you didn't do digital simulcast. You couldn't do this if you hadn't gone in Motorola's joint venture, had an agreement with Motorola up front that this was where the future of digital was headed. Let's go there together. You couldn't have done if we hadn't had our own guide, so that experience pops right up, seamlessly and easily across all platforms. We're pretty excited about that whole space.

Steve Burke - Comcast Corporation - EVP, COO

And the answer on wireless is, we would hope that the second half of this year, we would have some kind of joint product and joint marketing.

John Alchin - Comcast Corporation - EVP, Co-CFO

Thank you, all.

Brian Roberts - Comcast Corporation - Chairman, CEO

Great.

Operator

We have no further questions at this time. There will be a replay available of today's call starting at 11:30:00 a.m. Eastern standard time. It will run through Friday, February 3rd at midnight Central time. The dial-in number is 1-800-642-1687. And the conference

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ID number is 4216292. A recording of the conference call will also be available on the Company's website beginning at 12:30:00 p.m. today.

This concludes today's teleconference. Thank you for participating. You may all disconnect.

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Investments Extend Our Competitive Advantage

**Expand Digital, Interactivity and Choice
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A Superior Video Product

Comcast ON DEMAND

7,000* ON DEMAND Program Choices

Up to 800 Movies
Available Today;
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16.5MM Free Movies
Viewed in January

275+ Kids Programs
from PBS and Sprout
to Nickelodeon



New Kids Programming
Record: PBS Sprout
7.5MM Programs
Viewed in January

500 Sports Programs
Highlights from NFL,
NHL and NBA



Exercisetv launched in
January: Ranks in Top
10 of All Free Providers

1.4 Billion Programs Viewed in 2005

A Better Broadband Experience

Largest Broadband Provider: 8.5MM Subs at YE05

Strong Subscriber Growth and Stable ARPU: \$42+

Value = Speed + Features

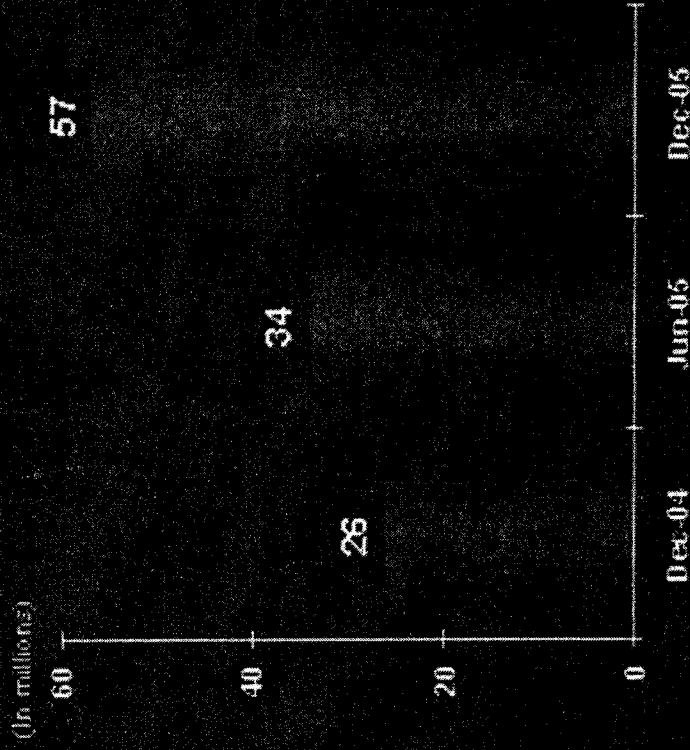
Speed: 6 and 8Mbps and Higher

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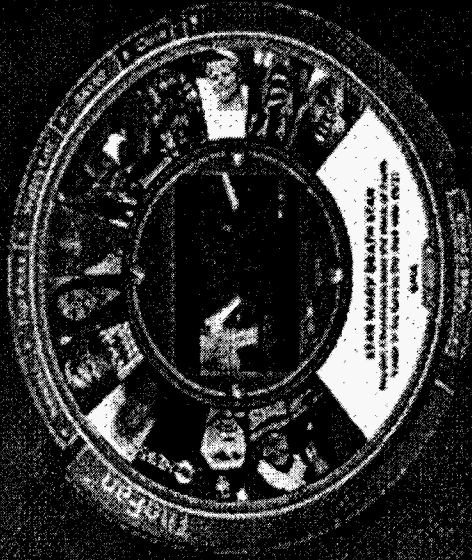
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Goal: 20% of Homes or 8MM Subscribers by 2009

We're All About New Products Growth

Revenue per Basic Subscriber
2002 – 2005: 10% CAGR

RGU Net Additions
2002 – 2005: 7.8MM

\$82

\$62

2.6MM

3.5MM

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2002 2003 2004 2005

2005 2006E

Basic Digital HSD Phone Advertising

13MM Subscribers Have 2+ Services

Bear Stearns
February 2006

42 Million Home Opportunity

(in millions)



Triple Play
Accelerates Growth
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- **Multi-Product Package Approach:**

- Bundling Drives Market Share
- Product Superiority Secures Customer Relationship

- **Strong Initial Results**

Homes Passed

Building Shareholder Value

Investing for Growth + Returning Capital Through Repurchases

Support Product
Superiority in Video,
Voice and High-Speed
Internet Services

Enhance Delivery of Our
Services Across
Platforms

Build Value In Existing
and New Cable Networks

\$5B Repurchase Authorization
→ \$5.2B Availability at 4 Q05

\$1.1B

\$0.8B

\$2.5B

\$2.5B

2004*

2005*

* Investments for Growth

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